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IMPACT ASSESSMENT

Accompanying the document

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing an action programme for customs and taxation in the European Union for
the period 2014-2020 (FISCUS) and repealing Decisions N°1482/2007/EC and
N°624/2007/EC**

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List of Abbreviations

ART2	Activity Reporting Tool 2
B2B	Business-to-Business
B2C	Business-to-consumer
CCCTB	Common Consolidated Corporate Tax Base
CCN/CSI	Common Communication Network / Common System Interface
CIO	Chief Information Officer
CIPS	Prevention, Preparedness and Consequence Management of Terrorism and other Security-related risks (programme)
DG	Directorate General
EMCS	Excise Movement Control System
EP	European Parliament
EU	European Union
FTE	Full Time Equivalent
ISEC	Prevention of and Fight against Crime (Programme)
IT	Information Technology
OECD	Organisation for Economic Co-operation and Development
OLAF	European Anti-Fraud Office
OO	Operational Objective
ISS	One-Stop-Shop
PICS	Programme Information and Collaboration Space
SMART	Specific, Measurable, Achievable, Relevant , Time-bound
SME	Small and Medium Size Enterprises
SO	Specific objective
TACTIC	Taxation and Customs Training Interactive Campus
TEIT	Trans-European Information Technology (systems)
TEU	Treaty of the European Union
TFEU	Treaty on the Functioning of the European Union
VAT	Value Added Tax
VIIES	VAT Information Exchange System

1. BACKGROUND TO THE POLICY CONTEXT AND CONTRIBUTION TO COMMISSION PRIORITIES

1.1. Legal and Policy Context

The legal context for taxation policy at EU level varies depending on the kind of tax at stake. The Treaty on the Functioning of the EU (TFEU), under Article 113, specifically provides for the Council, acting unanimously, to adopt provisions for the harmonisation of Member States' rules in the area of **indirect taxation** (principally Value Added Tax and Excise Duties). Indeed, an inefficient and uncoordinated system of national rules for indirect taxes may create an immediate obstacle to the free movement of goods and the free supply of services, or distortions of competition which are detrimental to the functioning of the Internal Market. A large number of Directives and Regulations (i.e. "secondary legislation") have been agreed in this area on the basis of that Article. As far as **other taxes** are concerned, Article 115 TFEU provides for the Council, acting unanimously, to issue Directives for the **approximation** of such laws, regulations or administrative provisions of the Member States which directly affect the establishment or functioning of the Internal Market. Some recommendations and legislation have been adopted in the area of personal tax, company tax and capital duty.

Throughout the years and in the light of reluctance on the side of Member States to go for outright harmonisation of national systems, however, there has been a **shift in emphasis** from attempting to harmonise taxes at EU level towards improving **coordination** between existing national tax systems, particularly for direct taxes. In 2001 the Commission¹ expressed its conviction that there is no need for a fully-fledged cross border harmonisation of Member States' tax systems to make the Single Market function and to reduce tax fraud and tax circumvention recommending there should only be action at EU level where action by individual Member States could not provide an effective solution.

Already before the start of the Internal Market, administrative cooperation² played a key role in detecting and preventing fraud, and facilitating cross-border activities by reducing the administrative burden on enterprises and citizens. With the establishment of the Internal Market, the Community set up the VAT Information Exchange System³ allowing tax administrations to exchange VAT turnover or registration messages, to detect anomalies in the intra-community supplies of goods and services resulting in some cases in VAT fraud investigations. Since the start of the Internal Market, various legal instruments on administrative cooperation have been reinforced⁴. In 2010 and 2011, major steps forward were taken with the adoption of a new Directive on recovery of claims⁵ and the Recast of the

¹ Communication COM(2001) 260 of 23.05.2001, Tax policy in the European Union - Priorities for the years ahead.

² Council Directive 77/799/EEC.

³ Council Regulation (EEC) No 218/92.

⁴ Council Regulation 1798/2003 (VAT), Council Regulation 2073/2004 and Council Directive 2004/106 (Excise), Council Directive 2004/56/EC (Direct Taxation), Council Directive 2001/44/EC and Commission Directive 2002/94 (Recovery).

⁵ Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measure (OJ L 84 of 31.3.2010, p 1).

Regulation on administrative cooperation and fight against VAT fraud⁶, providing a legal base for EUROFISC, a network for the quick exchange of targeted information between Member States, and the Directive on administrative cooperation in the field of direct taxation, strengthening cooperation and setting-up a system of automatic exchange of information for a range of revenues⁷. In the course of 2011, the Commission will propose a new Regulation to enhance administrative cooperation in the field of excise duties.

1.2. The Fiscalis 2013 programme

The main supporting instrument to facilitate the cooperation between tax authorities in the EU is the Fiscalis 2013 programme. The Fiscalis 2013 programme has an overall budget of 156.9 million euro (on average 26.15 million euro per year) and seeks, in particular, to improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation between participating countries, their administrations and officials. The programme is based on the premise that effective, uniform and efficient application of EU law is essential for the functioning of tax systems in particular, for the protection of national financial interests and reducing burdens on administrations and taxpayers.

The specific objectives of Fiscalis 2013 are available in Annex 1.

The programme finances different types of activities, notably (i) developing and operating centrally deployed and trans-European IT systems (ii) supporting joint actions between tax officials (such as seminars, working visits, working groups, steering groups, etc) to facilitate the exchange of good practice and (iii) delivering training to tax officials across Europe. The trans-European IT systems (such as EMCS and VIES) run over the secure CCN/CSI network.⁸

Table 1: The Instruments of the Fiscalis 2013 Programme

Exchange of Information (IT) ca. 73% of the budget	Joint Actions (Human Component) ca. 25% of the budget	Training Activities ca. 2% of the budget
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Source: DG TAXUD

The programme primarily targets tax officials of EU Member States, but candidate countries and potential candidate countries can also request participation in the programme.

At present, around 4 000 officials participate annually in 250 to 275 events organised per year⁹. Currently, Croatia, the former Yugoslav Republic of Macedonia, Serbia and Turkey are also taking part in programme activities. Administrations of third countries, representatives of international organisations and taxable persons or their organisations can be invited to participate in programme activities if relevant.

⁶ Council Regulation (EU) No 904/2010 of 7 October 2010 On Administrative Cooperation And Combating Fraud In The Field Of Value Added Tax; http://www.eurofisc.eu/council_regulation_904_2010.html.

⁷ Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

⁸ CCN/CSI = Common Communication Network, Common System Interface.

⁹ See Annex 9 for graphs with the historic evolution of the figures.

Training activities have enabled the production of first pan-European taxation e-learning modules. Six tax-specific EU learning courses in up to fifteen national languages have been developed. As they were mostly finalised in 2010 and 2011, the usage statistics are not yet meaningful.

Procurement contracts account for the largest share of the programme budget, namely activities related to the exchange of information (IT expenditure) and training. For activities related to tax officials (Joint Actions), the centralised direct management mode is the main delivery mechanism and applied through grants destined to the tax administrations of the participating countries.

1.3. Contribution to EU Policy Priorities

The proposed Fiscalis 2020 programme aims at making national tax administrations more effective and efficient when dealing with cross-border transactions. Thus, they will be enabled to more successfully fight tax fraud and increase tax returns. Also, Fiscalis aims at reducing the administrative, economic and time burden for tax payers involved in cross-border activities, and to stimulate national tax administrations to exchange and learn from best practices.

Fiscalis has the potential to successfully contribute to the **Europe 2020 Strategy** for smart, sustainable and inclusive growth¹⁰, namely by strengthening the functioning of the Single Market, providing a framework to support activities enhancing productivity of the public sector by pushing technical progress and innovation in national and European tax administrations. In the field of revenue generation, the EU 2020 Strategy calls for growth-friendly taxes and, in particular, a shift away from the taxation of labour to energy and environmental taxes¹¹. Generally, a better cooperation between tax authorities, better exchange of best practices, and a focus in administrative burden reaction contribute to the goals set by the 2020 Strategy. Concerning the specific recommendation, also indicated by the Impact Assessment report, a shift to the taxation of tradable goods increases the opportunity of international tax fraud and this further necessitates a seamless cooperation between Member States' tax authorities.

It supports the **Single Market Act**¹² which stresses in general the importance of diminishing the burden on taxpayers and which emphasises some key areas for taxation policy. The upcoming policy initiatives which the programme will support and help implement, such as the proposed Energy Tax Directive, new VAT strategy, and Common Consolidated Corporate Tax Base for companies and those concerning the removal of cross-border tax obstacles for citizens, will, when adopted, contribute substantially to achieving some objectives of the Single Market Act.

The **Monti Report**¹³ on the future of the single market confirmed that that more tax co-ordination between the Member States is required in order to make tax collection more effective and fair. This should in particular address the removal of tax obstacles like different legal treatment of the same transaction or fragmentation and diverging rules that business and

¹⁰ COM(2010) 2020 final of 3 March 2010: A strategy for smart, sustainable and inclusive growth.

¹¹ COM(2010) 2020 final of 3 March 2010: A strategy for smart, sustainable and inclusive growth , p. 26

¹² COM(2011) 0206 final.

¹³ MONTI, A new strategy for the single market, 9 May 2010.

citizens face when performing cross-border activities. Tax fraud, tax evasion and tax avoidance have been and continue to be serious challenges for the EU and the Member States and the fight against fraud remains high on the agenda of EU taxation policy. In providing a framework for cooperation between national tax administrations and further enhancing coordination between existing national tax systems, the Fiscalis 2020 programme will definitely be in line with these recommendations.

The Fiscalis 2020 programme - in its new constellation – will support other flagship initiatives of the Europe 2020 strategy, namely the flagship initiative on the digital agenda for Europe¹⁴, the flagship initiative on the Innovation Union¹⁵ and the flagship initiative on an industrial policy for the globalisation era¹⁶. It will support the national tax administrations to become fully-fledged e-tax administrations and equally reduce the administrative burden on taxpayers, by making the implementation of tax legislation smarter.

2. INFORMATION GATHERING AND STAKEHOLDER CONSULTATION

The present report constitutes both the ex-ante evaluation required for programmes and the Impact Assessment that will accompany the legislative proposal for the future Fiscalis 2020 programme. The stakeholders have been consulted at different stages of the preparation of the new programme.

In the context of the midterm evaluation of the Fiscalis 2013 programme¹⁷, an external contractor analysed the effectiveness, efficiency, relevance and value added of the current programme. Monitoring data available from the different activities was used. About 2.000 former participants of the programme were surveyed and targeted surveys of the programme coordinators and tax experts in the participating countries were conducted. In addition the consultant used the results of a survey issued to tax and customs officials in Member States measuring their awareness of the programme and its perceived relevance for their daily work. The recommendations of the evaluations for further improvements in the programme were taken on board in the design of the future programme. The feedback on effectiveness, efficiency and value added was extensively used for assessing the impacts of the policy options.

Another study examined the possible framework of the future programme¹⁸: its challenges, objectives and possible policy options. This study investigated which problems are likely to confront taxation policy in the next decade and identified the following challenges globalisation, effective use of technology staying abreast and seizing the opportunity, resource constraints – more with less, fair competition: eliminating distortions, applying rules uniformly, coordinating policies, improving tax revenues of Member States and enlargement¹⁹. These findings were completed with the results of the midterm evaluation on

¹⁴ COM(2010) 245 Final/2, A Digital Agenda for Europe.

¹⁵ COM(2010) 546 of 6 October 2010, European 2020 Flagship Initiative Innovation Union.

¹⁶ COM(2010) 614, European 2020 Flagship Initiative Integrated Industrial Policy.

¹⁷ Reference will be added, when the midterm evaluation has been published by the Commission.

¹⁸ DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe. DELOITTE, Alternatives for taxation cooperation.

DELOITTE, Analysis of different scenarios for tax cooperation.

¹⁹ DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe, p. 16-23.

the relevance of the current objectives and the future priorities of the programme,²⁰ where beneficiaries of the programme indicated that fight against fraud is the highest priority, in particular continuously monitoring emerging fraud and increasing the exchange of information and practices.²¹ Other current priorities are EU law aspects and sharing of administrative practices. Concerning the future problems, programme beneficiaries are of the opinion that fraud will remain the highest priority but also indicated that a better focus should be put on voluntary compliance and the reduction of burden on taxpayers²². The findings of this study were discussed with the representatives of the participating countries in a workshop organised in June 2011. In preparation of this workshop, a roundtable was organised in spring 2011 at the Fiscalis 2013 Committee²³ meeting where participating countries were asked to identify the main strengths of the programme and how the efficiency of the programme could be improved. All this resulted in the final formulation of the problem description of the Fiscalis 2020 programme as defined in the intervention logic. Also as a result of, the above findings, the objectives of the programme were reformulated and updated. Since beneficiaries expressed in general their satisfaction with the instruments of the programme and the management, only suggesting small scale improvements to cooperate more efficiently²⁴ and assessing very positive the contribution of Fiscalis to increased interaction and information sharing between the Member States' tax administrations²⁵, only minor changes were made to the instruments and the set up of the programmes

Considering the importance of the activities related to the exchange of information, an external contractor carried out a separate study²⁶ on the future implementation strategy for the exchange of information. This study was presented in a dedicated workshop for Chief Information Officers (CIOs) of tax administrations in June 2011.

Up to now, evaluation exercises of the existing programmes, only addressed primary stakeholders of Fiscalis, namely tax authorities and their experts which are the target audience of the programme. The Commission is aware of the importance of consulting also stakeholders that are external to the programme (i.e. economic operators) on the impacts the programme has on them and to what extent they benefit for instance from better cooperation between tax administrations. The Commission will incorporate add this additional dimension of indirect impacts in its future programme evaluations.

The preparation of the impact assessment report was supported by an interservice Steering Group with participants from the Secretariat-General, the Legal Service, DG Budget, DG Internal Market and Services, DG Home Affairs, the European Anti Fraud Office (OLAF) and DG Trade. The last meeting of the Steering Group took place on 25 July (minutes of the last Steering Group meeting are attached to this report). The Directorates-General for Justice, for Employment, Social Affairs and Inclusion and for Enterprise and Industry have been consulted for the assessment of social impacts, impacts on SMEs and fundamental human rights.

²⁰ RAMBOLL, Midterm Evaluation Fiscalis 2013, p. 93-97.

²¹ RAMBOLL, Midterm Evaluation Fiscalis 2013, paragraph 376.

²² RAMBOLL, Midterm Evaluation Fiscalis 2013, paragraph 374-377.

²³ Minutes of the 9th Fiscalis Committee meeting on 3 May 2011.

²⁴ RAMBOLL, Midterm Evaluation Fiscalis 2013, p. 67-80

²⁵ RAMBOLL, Midterm Evaluation Fiscalis 2013, paragraph 244.

²⁶ GARTNER, CCN Evolution Strategy, May 2010.

DELOITTE, CCN2 study, Member States interview report, January 2011.

ACCENTURE, Service oriented application and backbone architecture, June 2011.

The Impact Assessment Board expressed its opinion on 22 September 2011. This version of the Impact Assessment addresses all the recommendations from the board in line with the reply provided in writing by DG TAXUD on the Impact Assessment Checklist of the Impact Board.

3. PROBLEM DEFINITION

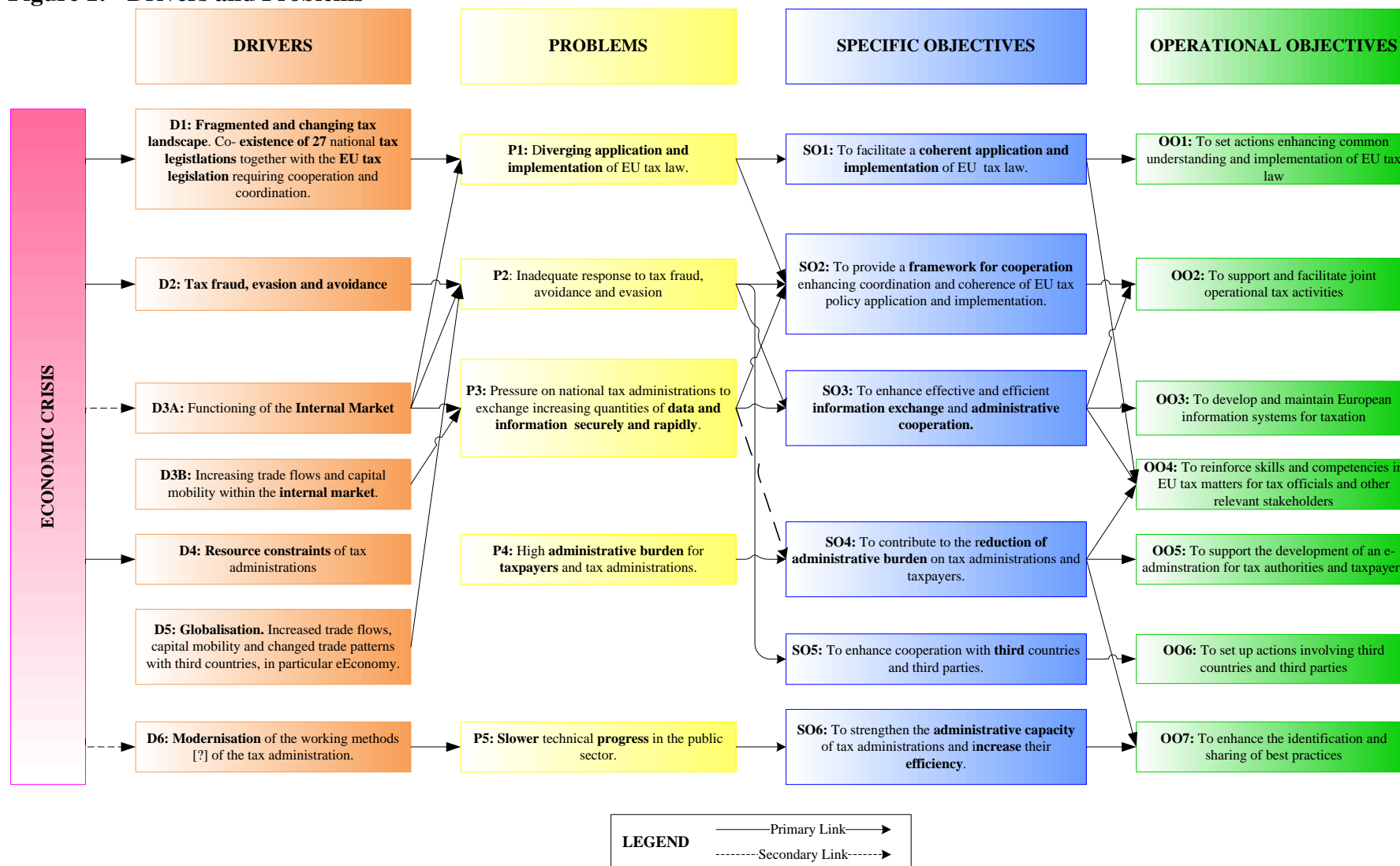
National tax authorities are becoming more and more the "victim" of the success of the European integration process: successive enlargements, the establishment of a true Single Market over the last decades and the creation of a single European currency in the Eurozone have significantly reduced previous risks to and costs of economic cross-border transactions. Thus, divergences in tax regimes have become more important in relative terms.

This establishment of the four freedoms for a jurisdiction with 27 Member States and more than 500 million citizens (and customers), more than 200 million employees and 20 million enterprises has triggered an exponential growth in cross-border transactions. This has also led to a multiplication of transactions that trigger "taxable events". At the same time, the successive enlargements of the EU and the increasingly complex national tax rules in these 27 jurisdictions make it more and more challenging to deal in an efficient and effective way with cross-border transactions that give rise to the application of tax legislation. On the other hand, the unanimity requirements of Articles 113 and 115 of the TFEU have not allowed a significant simplification this situation and the triggering of mechanisms that would allow the harvesting of economies of scale or of scope.

Moreover, technical progress over the last decades has dramatically changed the technologies underlying economic transactions, including cross-border transactions. However, productivity-enhancing technical progress in public administrations is typically much slower than technical progress in the private sector²⁷. Thus, the gap between technologies and working methods applied in the private sector and in the public sector, including tax administrations, continues to widen. Consequently, the public sector, including tax administrations, is more and more seen as a bottleneck, rather than a key enabling sector and turning into a weak link of the diversified value chains characterising the business models of modern economies and a globalised world.

²⁷ <http://www.economist.com/node/18359896>,
<http://www.oecd-library.org/docserver/download/fulltext/4207011ec006.pdf?expires=1311759889&id=id&acname=ocid194935&checksum=5A3BF5B0C3EA008644F6EAF7409F8AFD>

Figure 1: Drivers and Problems



Annotation: The underlying driver, the economic crisis, affects and reinforces all of the other identified drivers.

Source: DG TAXUD

Figure 1 above provides an overview of the problems and drivers that need to be addressed by the Fiscalis 2020 programme. A further aggravating effect results from the fallout of the financial and economic crisis of 2009/10 with its dramatic effects on public finances and brought some of the identified problems in the forefront of the attention. In response, numerous Member States aim at increasing revenues by increasing tax rates, particularly consumption taxes. This, however, increases the economic incentives for potential tax payers to avoid tax payments altogether and as such is a stronger incentives for international tax fraud, necessitating better administrative cooperation. This problem is then aggravated by the policy trend to also cut public expenditure, with a special emphasis put on (administrative) investment expenditure or on cutting back human resources²⁸, both leaving less resources available for improving the efficiency of tax-collection systems. Where appropriate, the specific problem description highlights the influence of the economic crisis.

3.1. Problem 1: Divergent application and implementation of EU tax law

EU tax law has become more and more complex: VAT legislation, different Excise Directives, the Merger Directive are some examples. The correct interpretation and implementation of new and existing EU tax legislation remains a challenge. The last Internal Market Scoreboard shows that a lot remains to be done to ensure a uniform application of EU tax law. Cases related to direct and indirect taxation accounted for almost one fourth of all infringement proceedings pending in December 2010²⁹.

The lack of a uniform application and different interpretations of tax laws lead to a distortion of the Internal Market and to unfair competition for businesses. It also allows companies to pursue strategies of tax minimisation and shopping in search of the most convenient taxation area.³⁰

The economic crisis has triggered changes in national tax codes in some countries, predominantly by increasing the rates for indirect taxes. Further changes of national tax designs are expected in the coming years, due to changes in the business landscape and government policies in non taxation areas (for instance in relation to environmental objectives).

3.2. Problem 2: Inadequate response to tax fraud, avoidance and evasion

Despite all efforts and recent successes of tax administrations to combat cross-border fraud, it still remains a major area of concern. The tax gap in the EU is roughly 2% to 2.5% of the GDP or up to 300 billion euro. The VAT gap, for instance, is according to the RECKON study³¹, slightly more than 100 billion euro per year and ranging between 2 and 30% in the Member States. The European Anti Fraud Office (OLAF) estimates annual fraud with tobacco products as high as 10 billion euro per year. It is generally accepted that fraud levels would rapidly increase if no coordinated action was undertaken by the tax authorities. During the last years, the extent of cooperation between Member States has intensified, notably with the

²⁸ <http://www.bbc.co.uk/news/10162176>

²⁹ Internal Market Scoreboard 22, December 2010.

³⁰ DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe, p 20.

³¹ Measured as the share of theoretical liability. RECKON study to quantify and analyse the VAT Gap in the EU 25 Member States, 2009.

adoption of a new Directive on recovery of claims³², the recast of the Regulation on administrative cooperation for VAT³³ and the directive on administrative cooperation in the field of direct taxation³⁴. The tools provided in this new legislation enable Member States to detect fraud at an earlier stage and to act accordingly.

In the coming decade, new trends in tax fraud, avoidance and evasion will continue to emerge and will have to be addressed continuously. It is assessed that the Eurofisc network will play a key role in identifying these new fraud schemes. At the same time the increased use of IT tools will facilitate the exchange of information, allowing tax authorities to exchange knowledge and best practices in this area in an electronic format, thus offering new opportunities for data and risk analysis. Exchanging information on transactions and businesses as well as sharing knowledge on newly identified fraud schemes are tangible ways of preventing and combating tax fraud.

3.3. Problem 3: Pressure on national tax administrations to exchange increasing quantities of data and information in a secure and rapid way

Since controls at internal borders have been abolished, national tax authorities do not receive information about the flow of goods within the EU territory from this source. They have to rely on an EU-wide secured information network which allows for the exchange of information. The number of messages exchanged has grown from 78 million in 2004 to 430 million in 2010 while the volumes have risen from 59 Gb in 2004 to 609 Gb in 2010³⁵.

The need to exchange tax information is expected to grow further within the Internal Market following the increasing trade flows and capital mobility. But there will also be an increasing need to exchange information with third countries as cross-border activity will continue to expand to countries outside the EU. This exchange of information will more and more be carried out in an electronic form. It is expected that information exchange will rise to 2 500 million messages and 2 500 Gb of volume in 2020³⁶.

In the next decade, the pressure on information exchange systems will increase, not only due to increased trade flows and capital mobility, but also because of further legislative changes in the VAT, excise and direct taxation field. The supporting IT systems will have to be adapted accordingly: the main challenge in the coming decade will include the extension of the range of functionalities that are mainly for use by Member States' administrations and the addition of remaining core business functionalities. In the field of direct taxation, the new directive on administrative cooperation adopted in February 2011 provides for the development of new computerised systems for automatic exchange of information on five new categories of income and capital before 1 January 2015 and possibly on three other new categories by the end of the decade. The developments in this area will also be relevant in the context of the follow-up work to the Recommendation on withholding tax relief procedures (FISCO)³⁷ and

³² Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measure (OJ L 84 of 31.3.2010, p 1).

³³ Council Regulation (EU) No 904/2010 of 7 October 2010 On Administrative Cooperation And Combating Fraud In The Field Of Value Added Tax; http://www.eurofisc.eu/council_regulation_904_2010.html.

³⁴ Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

³⁵ DG TAXUD Statistics.

³⁶ DG TAXUD Forecasts.

³⁷ COM(2009) 7924 of 19 October 2009.

the Commission's planned initiative on taxation of cross-border dividends. As far as VAT is concerned, in the light of further harmonisation and simplification in this area³⁸ IT issues and IT needs for both taxpayers and tax administrations will require attention during the implementation of new rules (e.g. defining a proper timeframe and agreeing on a work process for adapting IT systems, facilitating automated information transfers between taxpayers and tax authorities through better interoperability, and development of specific software to be supported at EU level and made available to all Member States). In the excise area, the Excise Movement and Control System, a computerised system for the intra-Community movement and monitoring of excisable goods, is expected to be extended to include administrative cooperation, risk control and data-mining functionalities, as well as additional functionalities which would allow for splitting a movement of excise.

There are two main types of differences regarding Member States' use of taxation IT systems, namely different interfaces with the final users of the systems, namely businesses and citizens and different implementations of the systems. Due to these aspects, businesses operating in different Member States might not be able to perform the same actions in each Member State. The interfaces Government to Trade (GtoT) are differently implemented in every Member State. That creates additional burden and costs to businesses operating in several Member States as they not able to interface in a unique way. Some examples are provided in the boxes below:

Examples of different interfaces

For instance, in the case of **EMCS**, Member States have developed their own national excise application and the exchange of information between Member States is based on standardized messages. However, all the data exchanges between Member States and traders active within their territory are left to each Member State that is offering its national web interface and/or message based (B2B) interface to traders. As such traders operating in several Member States are faced with different interfaces across Member States which is limiting the conduct of cross-border economic activity as traders need to develop or purchase different B2B variants, one for every Member States where they conduct business. In **VAT Refund**, the portals used by economic operators are also not harmonised confronting applicants with 27 different interfaces and several ways of communicating with the tax administrations.

Examples of different implementations

In **EMCS**, there are differences in the way Member States are implementing the system. Some functions of the EMCS system, offering trade facilitations such as 'direct delivery', or the functionality of 'splitting' consignments related to energy products, are only supported by some Member States. The **VAT refund system** is another example, as some Member States did not implement the correction process while others require applicants to submit in certain circumstances corrective applications via their Member State of establishment.

Finally, the information exchanged needs to be increasingly accessible by a wide group of users. Some information is channelled through a single access point, but other information has to be used sometimes by a large number of persons. In the future, investment will be needed to provide an adequate response to new challenges, which could consist of using central

²⁸ COM(2010) 695 of 1 December 2010, Green Paper on the future of VAT. Towards a simpler, more robust and efficient VAT system.

solutions, accessible by all the users. The absence of a response to this need may jeopardise the efficiency of administrative cooperation while significantly increasing costs for the Member States.

3.4. Problem 4: High administrative burden for taxpayers and tax administrations

An effective tax system should ensure sustainable revenues while not adversely affecting growth and jobs. At present, there are still too many tax obstacles which make cross-border activities too cumbersome or too expensive, while citizens face difficulties in claiming tax reliefs from foreign tax administrations, obtaining information on foreign tax rules and knowing whom to contact in foreign tax administrations³⁹.

As far as businesses are concerned, the need for companies involved in cross-border activities to deal with 27 different accounting and corporate tax systems results in high compliance costs. In a 2004 survey covering more than 700 companies, the European Commission found that these costs represent 1.9% of tax collected for large companies and 30.9% of tax collected for SMEs. High compliance costs are also born by financial intermediaries in administering withholding tax relief procedures. This is due to the fact that these procedures vary considerably from Member State to Member State and do not reflect the often multi-tiered holding environment⁴⁰. The above-mentioned FISCO Recommendation and the related follow-up work are aimed at addressing these problems. The description of the different ways Member States implement IT systems provided under chapter 3.3 is also applicable here.

Reduction of the administrative burden on taxpayers is in the interest of taxpayers and tax authorities. High compliance costs arising from cumbersome administrative procedures undermine the Internal Market and competitiveness. They create barriers to the development of economic operators and SMEs in particular, as well as incentives to fraud. A reduction in the administrative burden should improve voluntary compliance by taxpayers and thus increase tax revenues for public authorities.

Cumbersome administrative procedures also carry a cost for tax administrations in terms of financial and human resources, which could be better deployed elsewhere, notably the fight against fraud.

The Monti Report on the completion of the single market acknowledges this situation and emphasises that automatic exchange of tax information and in general cooperation between tax administrations of the Member States should also be improved in order to make tax collection more effective and fair.

3.5. Problem 5: Slower technical progress in the public sector

Globalisation and the growing e-economy challenge require tax administrations to adapt to a changing environment. Furthermore, cuts in resources force tax administrations to reflect on **new strategies and working methods**. In some Member States the tax administration

³⁹ Communication on removing cross-border tax obstacles for citizens; COM(2010) 769.

⁴⁰ See the two reports of the Fiscal Compliance Experts' Group (FISCO) established by DG MARKET (published in 2006 and 2007). They are available at: http://ec.europa.eu/internal_market/financial-markets/clearing/compliance_en.htm.

strategy is shifting towards a more proactive approach, focused on stimulating voluntary compliance. This changing tax environment increases the need for **effective and efficient e-government services**. Taxpayers should have the possibility to interact with tax administrations by electronic means and across borders..

This problem has become very relevant in the aftermath of the financial crisis. The consequent austerity measures are a driver for Member States to make, where possible, more efficient use of information technology to deploy human resources in **the most effective way**.⁴¹. To this extent Member States can also profit from the experience gained by colleagues in other tax administrations and share best practices through technical assistance.

The Member States and the Commission deploy numerous officials and experts to support tax processes. Whereas the Fiscalis programme supports joint actions such as working visits, working groups, etc., there are currently no mechanisms that would support tax officials from different Member States to work together at operational level with the exception of multilateral controls. This leads to duplication of **resources** (e.g. in building up specific expertise in each Member State) and a lack of efficiency in the performance of operational taxation activities across the EU.

Member States currently have to finance the development of IT systems (including the adaption of their national components) to support the activities of the national tax authorities. Furthermore, specific software to support tax specific activities (e.g. data mining for risk analysis purposes) have to be procured by the individual Member States. In some Member States there are, however, insufficient financial means to procure and/or develop software packages and **IT systems**. This affects the efficiency and effectiveness of taxation cooperation overall in the EU.

The Monti report suggests that initiatives should be launched to build consensus regarding a stronger Single Market, inter alia concerning how to use tax coordination to safeguard national tax sovereignty as market integration proceeds, while nevertheless preventing harmful tax competition.

3.6. Conclusion

Whereas it is the Member States' responsibility to manage the operation of national tax systems, it is clear from the challenges identified above that increased administrative cooperation between tax authorities –to an even greater degree than is currently the case - is necessary. Cooperation across the EU enables tax authorities to develop synergies, avoid duplication and exchange good practice in all fields related to taxation such as business engineering, IT, international cooperation, etc. The support to taxation cooperation by the current Fiscalis programme has its merits, but in particular the outdated technological architecture, difficulties in working together on an operational level with regard to specific tasks, unequal financial means to support the activities of tax authorities and difficulties in establishing structural collaboration with the main stakeholders of the tax authorities will prove challenging in the future.

⁴¹ DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe, p 19-20.

4. JUSTIFICATION OF EU ACTION

4.1. Necessity of EU intervention

Tax policy implementation remains predominantly a nationally reserved policy area. The proposed programme however cannot be considered to be a tax policy measure falling under national competences. Indeed, the programme aims to improve cooperation between tax administrations and provide mechanisms and means for improving such cooperation as well as the necessary funding to achieve these objectives. As such the programme will not, when implemented by the Commission, result in a further harmonisation of national tax systems but it will allow the reduction of negative effects related to the co-existence of 27 different tax systems, such as distortions of competition, administrative burden for administrations and businesses, tax shopping, etc. The proposed measure is therefore a clear Internal Market support measure, under Article 114 of the TFEU, as it will allow the improvement of the functioning of the various tax systems within the Internal Market.

Action at EU level rather than at national level is necessary for the following reasons:

- It is not sufficient to adopt legislation at European level, taking it for granted that its implementation will run smoothly and if not, the infringement procedure will be sufficient. In order to efficiently implement EU and national tax law, cooperation and coordination at the European level are necessary. Through the different Fiscalis programmes, the Commission and Member States have built a strong relationship of trust to provide this guidance and steering. Such concerted action allows the Commission, in very close coordination with Member States to develop more efficient and smoother functioning of national and EU based tax systems.
- The challenges identified above cannot be tackled without a steering role executed by the Commission and without encouraging Member States to look beyond the borders of their administrative territory. Without intense cooperation and coordination between Member States unfair tax competition and tax shopping would increase, while fraudsters would exploit the lack of cooperation between national authorities. Clearly unfair tax competition is to be considered as a discriminatory treatment of a particular group of stakeholders

The programme by its very nature supports the **solidarity aspect**, providing tax authorities the means to cooperate and find remedies for common problems even if they are not touched in the same degree by the impact of these problems.

4.2. Subsidiarity and EU added value

From an economic point of view, action at EU level is much more efficient. The backbone of the customs and taxation cooperation is a highly secured dedicated communication network. It interconnects national customs and tax administrations in approximately 5 000 connection points. This common **IT network** ensures that every national administration only needs to connect once to this common infrastructure to be able to exchange any kind of information. If such an infrastructure were not available Member States would have to link 26 times to the national systems of each of the other 26 Member States.

EU Added Value

Following the abolition of the internal borders of the Internal Market in 1993, Member States were no longer able to derive information on the goods exchanged and taxes due from physical cross border controls. The Community therefore set up structures and systems that allowed exchange of information on various taxes paid/due and to detect fraud at an early stage. The first system to be launched was the VAT Information Exchange System which in 2010 allowed tax administrations to exchange more than 400 million VAT turnover or registration messages to detect anomalies in the intra-community supplies of goods and services and as such fight against VAT fraud. According to 96% of the tax experts surveyed, the level of (joint) detection of VAT fraud would be lower without Fiscalis implying that Member States would have to take other steps. Equally the volume of information exchanged would be lower, the number of Multilateral Controls would be lower and the overall interaction between Member States' tax administrations would be lower. Participants surveyed expressed similar opinions. The majority of users of the VIES system acknowledged that if VIES did not exist, it would be necessary to build an alternative system and agreed that without the exchange of information through VIES, it would be more difficult to fight tax fraud. Similar feedback has been received for the Excise Movement Control System (EMCS).

The availability of information also generates benefits for trade to deal with the differentiated tax landscape across the Member States. The Taxes in Europe Database replied to more than 400 000 requests from citizens in 2010 for a comprehensive description of taxes across the Member States, the VAT Refund system helped to process more than 600 000 requests for VAT refunds from traders in 2010 to other Member States, the VAT on eService allows traders from third countries to declare and pay the VAT that they have collected.

Other cornerstones of the programme are activities that bring taxation officials together with the purpose of exchanging best practices, to learn from each other, analyse a problem or draft a guide, for instance. If Member States would have had to learn from each other by developing their own activities outside the programme umbrella, they would all have developed their own set of tools and ways of work. Synergies between activities would have been lost and common activities would not have been implemented systematically at the level of 27 Member States. It is much more efficient to have, with the support of the programme, the Commission acting as **activity broker** between the participating countries.

In the midterm evaluation of the Fiscalis 2013 programme, the stakeholders of the programme have confirmed that many of the activities that were necessary to achieve progress in taxation cooperation would not have happened at all, or would have only happened much later and/or at a higher cost and with less optimal results if the cooperation framework of the programme had not existed.⁴²

Another important value added is one of an intangible nature. Despite the fact that the programme works under an important external constraint – since implementing tax policies remain predominantly a nationally reserved policy area – the programme has been instrumental in creating a sense of common interest, stimulating mutual trust and generating a **cooperation spirit** between Member States and Member States and the Commission⁴³.

⁴² RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424.

⁴³ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424, 446-448.

5. OBJECTIVES

In view of the problems identified for the upcoming decade, the objectives of the Fiscalis 2013 programme remain valid. However, given the problem dynamics of new challenges identified, an extra effort will be needed, and a special focus will have to be put on fighting fraud and the need to adapt to the changing tax environment. In addition, so as to make European national tax administrations more effective and supportive to the objectives of the new growth strategy Europe 2020 two new objectives need to be achieved: contribute to the reduction of the administrative burden on tax administrations and taxpayers (both individuals and business) and enhance cooperation with third countries and third parties.

5.1. General Objective

The general objective will be to improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation between Participating Countries, their tax administrations, their officials and other relevant stakeholders.

5.2. Specific Objectives

5.2.1. SO1: Facilitate a coherent application and implementation of EU tax law

To mitigate the risk of a diverging application of EU tax law (P1), legislation and administrative practices that hamper cooperation need to be identified, and possible remedies need to be drawn up. The programme will enable the dissemination of information and best practices and allow the development of high quality training material on EU tax legislation for tax officials and business.

To achieve the objective of common understanding and uniform implementation of new and existing EU tax legislation, the target groups need to know and understand the legislation and the decisions of the European Court of Justice. This applies both to direct and indirect taxes, since the basic principles of the EU Treaties must be taken into account even when direct taxation remains a competence of the Member States⁴⁴.

5.2.2. SO2: Provide a framework for cooperation enhancing coordination and coherence of EU tax policy application and implementation

To provide an adequate response to most of the problems outlined under the problem definition that tax administrations are facing, such as tax fraud (P2), the increased pressure on tax administrations to exchange information in a secure and rapid way (P3), as well as diverging implementations of EU tax law (P1), the Commission and Member States require a framework to react quickly to new needs for cooperation and exchange of information in the tax area.

5.2.3. SO3: Enhance effective and efficient information exchange and administrative cooperation

Tax authorities in the EU have a growing need for data and other types of information from tax authorities in other EU Member States as cross-border activity increases (P3). In terms of

⁴⁴ DELOITTE, Alternatives for taxation cooperation, p 14.

information exchange, the objective is to support taxation cooperation to secure efficient, effective access to data and data exchange between tax administrations in the EU.

In terms of administrative cooperation, the objective is to support the exchange of information (consulting and sharing) between tax authorities on procedures and best practices in order to become more effective and efficient in a range of activities including fighting avoidance, evasion and fraud (P2), minimising double taxation, reducing administrative burden and compliance costs (P4).

5.2.4. SO4: Contribute to the reduction of administrative burden on tax administrations and taxpayers

To address the high administrative burden for taxpayers on the one hand and reduce the costs for tax administrations to administer a tax collection system (P4), the programme will create the conditions to allow Member States to identify the burdens and exchange expertise on how to address these burdens. To support the realisation of this objective, tax cooperation should:

- Adopt a uniform approach to measuring the administrative burden and therefore consider an administrative burden reduction action plan;
- Seek to harmonise at the highest level of good practice administrative procedures, using "soft" influence⁴⁵ and peer pressure, while respecting that in principle interaction between tax authorities and taxpayers is a matter of national competence;
- Give priority to improvements in e-taxation, e.g. "one stop shops", including the EU "VAT one-stop shop" or "single window";
- Support the introduction of simplification measures that can reduce compliance costs for individuals and business in cross-border situations.
- Promote information provisions for taxpayers.
- Exchange expertise on how to reduce the costs for tax collection

5.2.5. SO5: Enhance cooperation with third countries and third parties⁴⁶

To tackle cross-border fraud with third countries (P2) and the impact of globalisation on the exchange of information with third countries (P3-D5), awareness needs to be increased in the EU about developments in the taxation area in **third countries** and their potential implications for EU taxpayers. Similarly, awareness should be improved in third countries and for third parties of EU taxation rules, leading to improved voluntary compliance and less fraud.

The other side of this objective concerns relations between EU tax authorities and **third parties**, i.e. entities like academics, business and consumer/taxpayer associations, financial institutions, the judiciary and similar bodies. Third parties can provide valuable input at the policy formulation and implementation stage, not just in terms of comment on draft measures but at a higher level in terms of totally new approaches to taxation. In both cases, the concept is greater pro-activity, including agenda-setting within international organisations.

⁴⁵ With 'soft influence' it is meant the ability to obtain a certain objective through attraction rather than through coercion.

⁴⁶ DELOITTE, Alternatives for taxation cooperation, p 19-20.

Under this objective, particular attention will be paid to the needs of the candidate and potential candidate countries.

5.2.6. SO6: To strengthen the administrative capacity of tax administrations and increase their efficiency

Improved and modernised administrative procedures will increase the efficiency of tax authorities (P5) in performing their tasks, such as for example when applying risk management methodologies and audits in the fight against fraud, tax evasion or tax avoidance. Member States should also profit from the knowledge gained by other tax administrations and available from external experts when reforming their tax administration in order to improve its functioning, through technical assistance projects. Improved administrative procedures will also enhance the quality of service of tax authorities towards taxpayers, especially by evolving more and more towards an e-administration. Therefore, this specific objective focuses on sharing and exchanging best practices between the Member States in view of reflecting on the applied procedures.

5.3. Operational objectives

Operational Objectives
To set up actions enhancing common understanding and implementation of EU tax law
To support and facilitate joint operational tax activities
To develop and maintain European information systems for taxation
To reinforce skills and competencies in EU tax matters for tax officials and other relevant stakeholders
To support the development of an e-administration for tax authorities and taxpayers
To set up actions relating to EU tax matters involving third countries and third parties
To support the identification and sharing of best practices

6. DESCRIPTION OF POLICY OPTIONS

Considering the overall policy context and the problems ahead for taxation policy in the next decade, a number of alternative policy options have been considered. In section 6.1, we first describe the baseline scenario of continuing the programme with its current objectives and design. Sections 6.2 - 6.4 present 3 alternatives to this status quo, including one option to discontinue the programme altogether.

The impact assessment provides proof for the necessity of the programme (i.e. against option 4 of discontinuation) and an outline of the "vertical" scope adequate to address the problems presented (i.e. choice between the baseline scenario and options 2 and 3) in section 7. Only after this crucial demonstration of the need for the programme and a definition of the correct scope can the impact assessment continue the analysis by a discussion of another dimension, of more "horizontal aspects" of the programme in section 8. We describe these aspects as horizontal, as they could be in general applied to most of the options that define the "vertical" scope.

6.1. Option 1: Baseline Scenario – "Status Quo"

The baseline scenario of this impact assessment will be the continuation of the Fiscalis 2013 programme without any changes in terms of financing, objectives or instruments. Since the budget remains the same, this option will only ensure the business continuity of the IT systems that will be available by 2013. The entry in operation of any new IT system required by policy evolution will either be lengthened by several years or not supported. The baseline scenario will not introduce the suggestions for improvement raised in the midterm evaluation⁴⁷. The in-depth assessment of the impacts of the baseline scenario is done after the description of the alternative policy options.

6.2. Option 2: Upgrade the baseline scenario

This option will be the continued development of the baseline scenario and will tailor the specific objectives to allow the programme to address all the present challenges identified in the problem description. This policy option will require only a marginally higher budget. However, major new policy initiatives requiring considerable additional investment will fall outside the scope of this option. This option will also provide the possibility to implement the suggestions for improvement raised in the midterm evaluation⁴⁸ and by the stakeholders because of their limited budgetary impact.

This option will continue to address the problems that are already addressed by the present programme namely: divergent application and implementation of EU tax law (P1), pressure to increase data and information between tax administrations (P3), the problems related to taxation working methods that are not evolving simultaneously (P5) but these have evolved compared to the moment when the problems of the present programme were identified. As new problems are awaiting taxation in the next decade, this option will put additional focus on the inadequate response to tax fraud, avoidance and evasion (P2), address the high administrative burden for taxpayers and tax administrations (P4) and consider the cooperation with third countries and third parties for some of the problems (notably P2-P3).

6.3. Option 3: Upgrade and cater for new policies

Policy option 3 will provide taxation with a solid framework to address the challenges of the next decade. Besides addressing the problems described under option 2 (P1 to P5), this policy option will offer the means to extend cooperation to new areas that may follow from policy evolution and notably enable programmes to have the means to facilitate coherent application and implementation of this new legislation and to implement the related exchange of information and administrative cooperation (see also Annex 4 for more details). This would notably tackle the possible divergent application and implementation of these laws (P1) and reply to the pressure to exchange information (P3). Where relevant it may also entail a contribution to the fight against fraud (P2). As such, this option will be able to ensure the business continuity of the IT systems that will be available by 2013 and the entry in operation of any IT system required by new legal initiatives.

⁴⁷ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 268-328.

⁴⁸ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 268-328.

6.4. Option 4: No continuation of the programme

This policy option envisages the discontinuation of the Fiscalis programme. No successor would be launched in 2014 and there will be no funding to support the existing trans-European IT systems and to set up joint actions or training activities to support the functioning of taxation systems in the EU.

7. ASSESSMENT OF IMPACTS

This section presents the expected main impacts of the baseline scenario and of each other policy option identified. The benchmark is the baseline scenario. This enables the scoring of the different policy options against the baseline scenario and the selection of the most appropriate course of action. The midterm evaluation of the Fiscalis 2013 programme provides evidence of the relevance (in terms of definition of the objectives), effectiveness (in terms of achievement of the objectives), and efficiency, in terms of management model of the programmes. Considering the importance of the possible acceptability of the different options by Member States in particular in the multiannual financial framework, the acceptability of each policy option will be mentioned as well.

It should be noted that the policy options have the most direct impact on the taxation authorities of the Member States and countries that have joined the programme. Indirect impacts can be identified for business as a consequence of the impacts on the public authorities. These indirect impacts are assessed in a single chapter crosscutting the different policy options that also assess the economic and other impacts.

The following assessment criteria were used to assess the policy options:

Effectiveness/Impact

This criterion measures the expected contribution to achieving specific and operational objectives. If an option will contribute more effectively, it will receive a higher score.

Efficiency

This criterion measures the output orientation, efficiency gains and solidarity and whether the programme offers value for money. . If an option is operating more efficiently, it will receive a higher score.

Coherence with other EU initiatives

This criterion measures the extent to which the option is coherent with other EU initiatives. This includes whether or not it falls within the budget for the provision made in the Budget for Europe 2020

To complete the assessment, the acceptability of each option for Member States is also mentioned.

7.1. Baseline Option

7.1.1. Assessment of the achievements

The following paragraphs elaborate to which extent the specific objectives of the programme, which are in this policy option the same as in the present programme, will be achieved (effectiveness). The assessment is illustrated with concrete examples of outputs realised with the support of the present programme based on the midterm evaluation.

7.1.1.1. Objective: To enhance information exchange and administrative cooperation (SO3)

In the baseline option, the programme will support exchange of information for existing legislation by ensuring the present systems continue to operate. It will also provide means to support administrative cooperation either by making data available or by bringing officials together to discuss best practices.

During the period 2008-2011, Fiscalis 2013 has supported the existing **IT systems**. According to the monitoring data on the use of the system and the findings on their utility in the midterm evaluation, IT systems have contributed to significantly improve the **exchange of information** in all tax areas. Also activities for officials (**joint actions**) have contributed to the programme's achievements in this area, offering critical support for the development and implementation of IT tools. As such the programme contributed to the implementation of new IT tools that were required by the adoption of new legislation, like the VAT Refund System.

Case Study - VAT Refund system

The VAT Refund system is an entirely new IT system, simplifying the refund process by allowing business to directly apply electronically in their Member State of establishment for a refund for VAT occurred in other Member States. Although the entry in production of the system went smoothly between 1 January and 1 April 2010 and exchanges rapidly increased, some problematic issues were encountered. A workshop, organised through the Fiscalis programme, took place in June 2010 to address these problems, among others the high percentage of rejected applications (44%). During the workshop, solutions were found and it was agreed to implement them in two stages, namely September 2010 and April 2011. Since then the average percentage of rejected applications has decreased to 13%⁴⁹. Many issues remain however. The Commission recently decided to set up a Fiscalis project group to address the remaining issues. This work is expected to be followed up in a Fiscalis seminar in early 2012.

In the same period 2008-2011, the programme also supported substantial IT development in the area of **administrative cooperation**. The recovery eForms or the eForms for mutual assistance in the field of direct taxation are two examples. An overwhelming majority of the respondents in the midterm evaluation agreed that the eForms have had a positive impact on information exchange and administrative cooperation between Member States⁵⁰. These forms were most valuable for tax controllers to obtain information from other countries (VAT, excise, direct taxation) or to formulate better requests for information (recovery). A large majority of the respondents agreed with the fact that **eLearning tools** provide useful

⁴⁹ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 77-79.

⁵⁰ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 97.

information on use and development of communication and information exchange systems⁵¹. The **joint actions** also allowed support to be given to regular contacts between the services involved in administrative cooperation, either between some countries (working visit) or in a larger setting (workshop, seminar)⁵²

7.1.1.2. Objective: Facilitate a coherent application and implementation of EU law (SO1)

The baseline scenario will develop initiatives to support the understanding and implementation of EU law by tax officials of Member States. This activity has also been widely supported in the present programme and stakeholders consider the programme's achievements the most significant in terms of understanding the practices of other Member States concerning the implementation of EU law. Working visits and in particular eLearning tools are considered particularly useful to achieve this objective⁵³.

Common training initiative e-learning tools have shown their value as a cost-effective way of disseminating knowledge. The EU eLearning programme addressed new or amended EU legislation, new tools for information exchange and other topics of common interest.

EU eLearning Tools

Six tax-specific EU eLearning courses in up to fifteen national languages have been developed, providing modern interactive and engaging training on EU legislation and common best practise for tax officials and/or traders involved in tax transactions across the EU on subjects like the European VAT System Directive and its national implementation schemes (eVAT-DIR), on VAT fraud patterns and prevention through enhanced administrative cooperation (eVAT Fraud), on new legislation on the European VAT refund system (eVAT Refund), on the European-wide use of electronic forms to exchange information in the field of direct taxation (eFDT) and on the core functioning of the EU's Excise Control Movement System (ECMS), with a further specific eLearning module on common best practice in the use of EMCS by tax administrations throughout the EU to come.

The **impact** of eLearning Tools stretches beyond the primary stakeholders of the programmes. Relevant eLearning modules have been made publically available allowing **potential candidate countries, economic operators and other stakeholders** to acquire greater understanding and knowledge of the EU legislation.

A concrete example of how Fiscalis activities contributed to an improved understanding of EU law and its implementation in Member States is provided by the denatured alcohol regime case.

Case Study - Understanding the complexity of denatured alcohol regime⁵⁴

Council Directive 92/83/EEC harmonises the structure for excise duties on alcoholic beverages and alcohol contained in other products. The general principle is that excise is only due on alcohol intended for human consumption. Alcohol is used for a wide number of purposes other than drinking and this alcohol destined for industrial use is usually

⁵¹ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 99.

⁵² RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 61-124.

⁵³ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 125-154.

⁵⁴ RAMBOLL, Fiscalis 2013 midterm evaluation, case study denatured alcohol.

"denatured", by adding chemicals to make it unpalatable and recognisable as a product not intended for human consumption. In recent years Member States have intercepted an increasing number of shipments of denatured alcohol diverted illegally for use as alcoholic beverages and thus excise fraud. With the support of the Fiscalis programme, experts from Member States compared their practices on alcohol denaturing procedures and controls and shared information on alcohol importers⁵⁵. They pointed out that more than 40 procedures for completing denaturing were recognised and more than a hundred procedures for partial denaturing mutually recognised. This inventory allowed the development of a database of denaturant formulas and procedures⁵⁶. By pooling expertise, the database has been used as a starting-point to identify best denaturing practices and also to identify some of the weaker denaturing methods which are more susceptible to fraud. It is also intended that the database will in future improve significantly the information available to Member States about the denaturing methods used across Europe and therefore their ability to identify and assure timely controls over products. The experts also defined a formula for a new euro-denaturant for completely denatured alcohol which the Commission is suggesting as a benchmark and for potential adoption by Member States. Suggestions for best practice have also been put forward for key industrial sectors, with the intention of moving reliance away from the methods that are more vulnerable to fraud, as well as simplifying the control regime for administrations by reducing the number of methods currently used.

7.1.1.3. Objective: Strengthen administrative capacity and increase efficiency (SO6)

In the previous programme, this objective was limited to development and dissemination of good administrative practices between tax administrations. Different instruments have been used to support this objective. On the one hand, there was the one time exchange of practice during seminars, workshops or project groups, and on the other hand the programme established long term cooperation through platforms linking experts. The latter were established in the area of eAudit, Multilateral Controls or Risk Management⁵⁷. The case description below provides a more detailed view on how this dissemination of good practices takes place:

Case Study - The eAudit platform⁵⁸

Some tax administrations developed electronic auditing techniques in parallel with the use of electronic systems and documents at national level. As such they were familiar with eAuditing activities when the 2001 VAT Directive recognised the validity of electronic invoices. For other tax administrations eAuditing remained still fairly unknown at that time. The Fiscalis programme and in particular the eAudit platform allowed the tax administrations to exchange expertise and either catch up or further deepen their knowledge. The platform used a range of activities from brother country systems, guidance papers and a roadmap to an eAudit newsletter and task teams on specific eAudit topics. Two concrete examples of tax administrations that reinforced their eAudit capacity are Lithuania, which in 2009 executed 350 electronic audits resulting in a tax assessment of some 139 million euro, and Poland which executed 1 656 electronic audits out of which 66% led to the discovery of tax offences.

⁵⁵ Multilateral control activity 84.

⁵⁶ The database itself was built by the Joint Research Centre using the analysis of the Fiscalis group.

⁵⁷ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 155-171.

⁵⁸ RAMBOLL, Fiscalis 2013 midterm evaluation, case study 3 on eAudit.

7.1.1.4. Objective: To enhance cooperation with third countries and third parties

In this policy option this objective will be limited to cooperation with **(potential) candidate countries** assisting them to take the necessary measures for accession. Although, in the opinion of these countries the programme does not contribute directly to taking the necessary measures for accession, on a more operational level, participants in Fiscalis activities have confirmed that it helps them to know better and understand EU tax legislation, to increase administrative capacity and therefore prepare better for accession⁵⁹.

7.1.2. *Assessment of the shortcomings*

7.1.2.1. Will the objectives be adequate to address all challenges of the next decade?

The specific objectives of the Fiscalis 2013 programme are not sufficient to address all challenges lying ahead for taxation in the next decade. As elaborated in the problem description and supported by the external consultant, studying the future Fiscalis programme, the future programme needs to put **additional focus on the fight against fraud** and tax avoidance⁶⁰ and the **changing tax environment**⁶¹. These findings are confirmed by all those interviewed in the midterm evaluation who consider the high level of tax fraud and tax evasion by far the highest challenge faced by the national administrations⁶². Further it is advised to add a separate objective related to decreasing the **administrative burden** on tax taxpayers⁶³ as well as the costs of tax collection for tax administrations and to have a separate objective aiming to enhance **cooperation with third countries and third parties**⁶⁴. Again, the feedback provided in the midterm Evaluation identified a similar need⁶⁵. Due to the lack of budget increase, this option will have to choose priorities among the issues that will be tackled.

7.1.2.2. Does the programme offer an efficient framework to support tax administrations?

The baseline scenario will not alter any of the shortcomings regarding Member States' differences in using taxation IT systems namely the different interfaces with the final users of the systems and the different implementations of the systems. The baseline scenario will not allow to address the resulting problems of higher tax collection costs for tax administrations, due to duplications and lack of integration and the higher administrative burden on taxpayers as explained in the description of the third problem.

Under the baseline scenario, it will not be possible to introduce possible solutions like

- Increased harmonization of the national systems, through collaboration
- Increase the agility in systems' development as progress will still depend on the delivery of the national components;

⁵⁹ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 172-198.

⁶⁰ DELOITTE, Alternatives for taxation cooperation, p 21.

⁶¹ DELOITTE, Alternatives for taxation cooperation, p 21-22.

⁶² RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 329-395.

⁶³ DELOITTE, Alternatives for taxation cooperation, p 17-18.

⁶⁴ DELOITTE, Alternatives for taxation cooperation, p 19-20.

⁶⁵ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 359.

- The already mentioned differences in IT implementation and interfaces will persist

For the future VAT mini-One Stop Shop (mini ISS) system this would mean for instance that taxpayers are likely to face a variety of interfaces across administrations as the common part of the mini ISS will be limited to the exchange of information between Member States administrations.

From a budget point of view, the baseline scenario only has the means to support the taxation administrations within the current policy context. Any new policy initiatives fall outside the scope of this option. This option will therefore only ensure the business continuity for IT systems that will be available by 2013. The entry in operation of any new IT system required by policy evolution will either be lengthened by several years or not be supported. The appropriation of the related budget for any new initiative will need to be part of the legal process and therefore addressed case by case by the Council and the European Parliament. This implies:

- No major upgrading of existing trans-European IT systems under the Fiscalis programme;
- No new trans-European IT systems deployed under the umbrella of the programme;
- No new IT systems with third countries;
- No possibility to build flexibility and agility and contribute to the global decrease of IT costs at the Union level either via more consolidation or more collaboration between Member States.

This option will not introduce the changes suggested by the stakeholders in the Midterm Evaluation to further improve the efficiency of the programme⁶⁶. This concerned reinforcing **cooperation** between tax administrations and making it more organised, by learning from each other or sharing expertise **more systematically** than today. This is essential in particular in view of the resource constraints faced by Member States. Also, the **potential of experts** should be used in a more efficient way than today. The external consultant that studied the future of taxation cooperation also warned that in view of the challenges that will face tax cooperation in the next decade the programme as it is today is not able to use efficiently the expertise present in Member States for collaboration at operational level⁶⁷.

7.1.3. Acceptability of the baseline scenario

First indications from public authorities and Member States show that the baseline scenario is acceptable from a purely budgetary point of view, albeit only a theoretical possibility. The fact that the baseline option will not allow Member States and the Commission to support tax administrations to overcome all problems identified for the next decade, and will oblige Member States to contribute more from the national budget is expected to seriously weaken the overall support for this policy option.

This option falls within the provision made in the Budget for Europe 2020.

⁶⁶ During the midterm evaluation, the roundtable Fiscalis 2013 Committee meeting and the June workshop.

⁶⁷ DELOITTE, Analysis of different scenarios for tax cooperation, p 39.

7.2. Option 2: Upgrade the baseline scenario

7.2.1. Assessment of the achievements

7.2.1.1. Upgrade: Tailor the objectives to the problems identified

This policy option will tailor the objectives to the needs that are described in detail in the problem description. As such this option will strengthen the **fight against fraud by providing a framework for cooperation enhancing coordination and coherence of EU tax policy application and implementation (SO2)**. This will for instance build further on the experiences gained at present with **Eurofisc**, which addresses new trends in tax fraud and is designed to be an early warning mechanism. These trends may lead to new working fields which will in turn trigger more Multilateral Controls and presences in the administrative offices of other Member States, as well as other activities supported by the programmes.

Under this option, the continuity of the existing IT systems will be secured and allow some – albeit not major - technology alignments (**Effective and efficient information exchange and administrative cooperation - SO3**). It will be possible to tackle the shortcomings related to the differences in implementation and interfaces as described in the baseline scenario and problem description. For instance, in the case of the **mini ISS**, it is expected that under this option it will be possible to develop common specifications of the national components of the system; - promote the adoption of a common system's architecture, enhancing interoperability and have a common mini ISS interfaces for businesses for those willing to use it. Additionally duplication would be cut by increased sharing of best practices and IT solutions among Member States. This would result in less administrative burden and compliance costs for taxpayers and businesses, less costs for Member States administrations for developing IT and more coherence in the use of tax-related IT systems across the whole EU.

Under option 2, it will also be possible to invest in new IT developments and projects, **though only those** with a **limited budgetary impact**. For instance it is very likely that sensitive information on transactions and businesses as well as knowledge on newly identified fraud schemes especially through Eurofisc will increasingly be exchanged in electronic format, thus offering new opportunities for data and risk analysis. As such, the Member States and the Commission will have a framework available to ensure that they have the means to react rapidly and with agility to newly arising needs for cooperation and exchange of information in the tax area.

This option will provide the means to **contribute to the reduction of the administrative burden taxpayers** as well as the costs of tax collection for tax administrations (**SO4**) by bringing together experts in the area but also stimulating the exchange of best practice and possibly development of benchmarks, as well as through the development of common training tools to improve administrative procedures. The follow-up work to the FISCO Recommendation which aims at making withholding tax relief procedures simpler and more efficient is very relevant in this respect. The programme will also build further on experience like the one gained with VIES on the web which answered 126 million queries in 2010. If each of these queries had had to be dealt with by five-minute telephone call, for instance, it would have cost, according to compliance cost calculations, more that 130 million euros to national tax administrations and a similar amount to businesses⁶⁸. The impact of these

⁶⁸ Amounts were drawn from the administrative burden reduction calculator.

activities for business should be the facilitation of dealing with the fragmented tax landscape and, albeit not directly, contribute to lowering the administrative burden.

In the next decade, tax administrations are also expected to increasingly opt for voluntary compliance and apply real time monitoring and auditing (**SO6**). To use this new way of work and **increase their efficiency**, some Member States still have to acquire new capacities and competences while those that are more advanced face continuously the challenge of staying up to date. An important measure to enhance the efficiency and effectiveness of the tax collection could for instance be the further development and use of modern information technologies for the collection and filling in of tax forms or by improving e-taxation, for instance by setting up one stop shops. Another emerging trend is voluntary compliance policies based on an enhanced dialogue and cooperation between business and tax authorities. This is particularly important in cross-border situations when taxpayers may face many difficulties in obtaining information on the tax systems of other Member States. All these offer opportunities to free up resources for tax controls and preventive measures and would create a win-win situation for taxpayers and taxation authorities.

As shown also by the recent financial crisis, tax revenues do not depend only on the effectiveness of the fight against tax fraud and administrative cooperation. The efficiency of the tools for mutual assistance actually depends on the administrative capacity of tax administrations to collect taxes. Increasing the administrative efficiency (**SO6**) is becoming more and more crucial⁶⁹. Moreover, experts from Member States and from the private sector having acquired an expertise in a particular field may be requested to provide **technical assistance** to other Member States. This technical assistance has already been provided to Member States. For the short term the Fiscalis programme offers the possibilities of targeted working visits of a few days and organising workshops. However, for the longer term, in particular taking into account the complexity of the problems that may have to be addressed, the programme should also include the possibility of funding different ways of providing technical assistance, for instance by sending experts for a longer period of time (for instance half a year).

Finally the intensification of cooperation with **third countries and third parties (SO5)** should raise awareness in third countries and for third parties of EU taxation rules, leading to improved voluntary compliance and less fraud, e.g. in the areas of e-services supplied to private consumers in the EU (as well as broadcasting and communication services as of 2015). While EU legislation provides for taxation of these supplies in the EU, more cooperation is needed from non EU countries to enhance compliance. Third parties may also provide valuable input at the policy formulation and implementation stage, not just in terms of comment on drafts but at a higher level in terms of totally new approaches to taxation.

In the field of direct taxation, closer relations with the non EU OECD countries are necessary for administrative cooperation, tax compliance and prevention of tax fraud, tax evasion and tax avoidance. Such enhanced relations together with joint actions and harmonised developments benefit Member States as these permit, through the development of common tools and instruments, economies of scale and rationalisation of the functioning of administrative cooperation, tax compliance and prevention of tax fraud, tax evasion and tax avoidance. Some work has already taken place. For example, the EU developed its

⁶⁹ Article 49, paragraph 7 of Council Regulation (EU) No 904/2010 arranges for the possibility for Member States to ask the Commission for its expert opinion, technical or logistical assistance.

computerised format for the EU savings directive on the basis of a computerised format developed at the level of the OECD. In contrast, the application of e Forms for exchange of information in direct taxation is developed by the EU taking into consideration the OECD Member countries needs. It has already been provided to the USA, Canada, Norway and Mexico at their request and could be officially adopted in the coming months by the OECD itself as the EU/OECD eForms for exchange of information in direct taxation. In the near future, more similar tools and instruments should be developed in close conjunction with the OECD. Under this objective particular attention will be paid to the needs of the candidate and potential candidate countries.

7.2.1.2. Upgrade: Introduce some small efficiency gains

Some small improvements will increase the efficiency of the programme by strengthening the cooperation instruments (the human component) thus addressing the concerns expressed by the stakeholders regarding the efficiency of the present programme. **Online collaboration** has the potential to become the facilitator to **make results more easily accessible** to tax officials but also to be the cornerstone of a **more systematic** and structured **cooperation** between experts and a more intensive usage of their expertise. The combination of these three elements should increase the strength of the framework for cooperation.

The **experience** gained with the present Programme Information and Collaboration will be the starting point for increasing the usage of online collaboration. The **first steps** of the programme in online collaboration were taken with the pilot project "Taxation and Customs Training Interactive Campus" or **TACTIC**. This was a joint pilot project with the Customs 2013 programme destined to assess how online collaboration could improve cooperation between on the one hand tax and on the other hand customs administrations in the area of training. The pilot project demonstrated significant value added in particular for the sharing of eLearning courses and learning resources from Member States. Consequently, the Programme Information and Collaboration Space (PICS) project was launched early 2011 to widen the online collaboration approach to the entire Customs and Fiscalis programmes.

Still under the present programme, online collaboration will be used to **strengthen** the existing **networks** for instance of electronic auditing experts, Multilateral Control coordinators and Eurofisc liaison officials and make them work more efficiently, for instance by exchanging more experience online. These experiences with online collaboration will progressively be widened to other networks under the new programme. Providing a single online collaboration platform under the programme should also **avoid** that each network of experts develops its own platform which would be detrimental for the cooperation between tax officials.

Combining the above efficiency improvements with the widened objectives will give **new impetus to tax cooperation** in the next decade and support an integrated coordination and coherence of tax policy implementation. The changes in the instruments and the enlarged set of objectives will allow the tax administration to face adequately the challenges identified in the problem definition.

7.2.2. *Assessment of the shortcomings*

Like the baseline option, option 2 will only have the budgetary means to support the taxation administrations within the current policy context. Any new policy initiatives will fall outside the scope of this option which will only ensure the business continuity the IT systems that will

be available by 2013. The entry in operation of any new IT system required by policy evolution and involving significant expenditure will either be lengthened by several years or not be supported. In such a case, the Commission may have to look for a dedicated budget appropriation outside the programme. Annex 4 provides an overview of possible future systems whose introduction would fall outside the scope of option 2.

7.2.3. Acceptability

This option will not support any new policy initiatives; exception could be made though for those policy initiatives that could be supported by the programme using a marginal number of instruments.

Public authorities and Member States confirm that policy option 2 provides a balanced way of tackling the problems identified and that it remains coherent with existing mechanisms for cooperation. Member States are therefore expected to respond positively. This option equally falls within the provisions made in the Budget for Europe 2020⁷⁰

7.3. Option 3: Upgrade and cater for new policy needs

7.3.1. Assessment of achievements

7.3.1.1. Provide a framework to address the problems identified

This policy option will give the tax administrations in the EU full scope to cooperate to improve the proper functioning of the taxation systems in the Internal Market and give support to EU tax policy for the benefit of the EU tax administrations, businesses and citizens. This option will allow all the objectives (P1-P5) that are identified for the next decade to be addressed without the need to prioritise, as well as providing scope to include new areas for cooperation that may be required by possible new EU tax legislation of which the adoption can be expected in the coming years (see Annex 4 for an overview). The assumption is that this new EU legislation would require the development of significant new IT systems, together with related joint actions and training activities.

This option will allow the introduction of the necessary efficiency improvements mentioned under option 2. Because of its budgetary leeway, it will be possible to introduce these improvements on a wider scale in a shorter time period.

7.3.1.2. Provide the adequate budgetary framework

This option includes a substantial budget increase compared to the 2008-2013 programme, Nevertheless, the precise scope of the policy evolution remains rather uncertain and hence it is difficult to assess with precision the needs to exchange information and share expertise. Based on the experience with the previous programmes and notably the development of IT systems, it is clear that the implementation of the above legislation would require a substantial **budgetary increase** compared to the baseline scenario.

⁷⁰ COM(2011) 500 of 29 June 2011.

7.3.2. *Acceptability of option 3*

Taking into account the present economic difficulties, constraints on Member States' budgets and the unambiguous signals from some Member States that a substantial increase of the Fiscalis budget is out of the question, the **acceptability** of the above scenario is rated low and therefore not analysed in more detail. This option equally falls outside the provisions made in the Budget for Europe 2020⁷¹.

This option will therefore be discarded.

7.4. **Option 4: No continuation of the programme**

In this scenario the programme will be discontinued and no EU funding will be provided for IT tools, joint actions or training activities that support taxation cooperation.⁷² Member States may have to look for alternative ways to substitute the cooperation driven by the Fiscalis programme. Digitised information exchange between tax authorities is likely to continue, but will become more cumbersome and costly. Without the joint actions the exchange of good practices is expected to become more fragmented, more costly and less frequent across the EU. It is expected that peer pressure stimulation of cooperation will reduce or at least have less impact. It is expected that the current differences in efficiency and effectiveness of tax activities between Member States will increase. The lack of EU funding for the coordinated development and implementation of common training programmes related to tax will, for example, have a detrimental impact on the common and good understanding of EU law, and will lead to duplication of training efforts. In this scenario taxation cooperation will be seriously hampered in its ability to contribute to the realisation of any of the specific objectives in the field. Ceasing the EU funding through the Fiscalis programme will therefore have a serious negative impact on the efficiency and effectiveness of taxation cooperation and on its ability to deal with the future challenges of the next decade.

If there would not be a Fiscalis programme anymore, Member State tax officials will no longer be able to participate in various types of joint actions, such as working visits, project groups, seminars and workshops. The structured and systematic identification and exchange of good practice and experience related to tax matters and the possibilities of networking with each other will cease to exist. As a result of this, the overall efficiency and effectiveness of working methods of tax authorities across the EU is expected to decrease as Member States will no longer be able to learn from each other and will risk making costly mistakes. Tax officials also will no longer be able to participate in training developed by the programme. National tax authorities will have to invest more in the development and delivery of training or else less training opportunities will exist for tax officials. The overall result will be less efficiency for tax authorities and less uniformity of training across the EU. The EU funding for the secure network (CCN/CSI) and centrally deployed and trans-European IT systems will stop. This is expected to bring about significant additional burdens to national tax authorities in terms of financial and human resources and operational coordination between the Member States.

⁷¹ COM(2011) 500 of 29 June 2011.

⁷² DELOITTE, Analysis of different scenarios for tax cooperation, p 47-52.

7.5. Overall impact of the programme

The impact on the public authorities, the primary stakeholders of the programme has been described at length in the chapters elaborating on the different policy options. The impacts on other stakeholders are described below.

7.5.1. *Impact on business and consumers*

The Fiscalis programme, as it stands today (baseline scenario) offers a framework to support cooperation between tax administrations, allows best working practices to be passed on between different tax authorities and thereby improves tax officials' understanding of EU tax legislation and its implementation in the Member States. As a result, businesses face less unfair competition and tax controls are more effective and smooth than they would be in the absence of such a program. As detailed in the subsection for social impacts, individual consumers enjoy a fairer income distribution due to a more effective fight against fraud. However, the present programme does not envisage to systematically contribute to the reduction of administrative burden for taxpayers. The programme as described under policy options 2 and 3 though will provide the framework to contribute to a further reduction of administrative burdens not only by exchanging best practices, but also by efficiency gains at the IT level.

7.5.2. *Economic Impacts*

The programme has a positive economic impact to the extent that it supports activities that pursue the reduction of administrative burdens. Already in the baseline option, automation has a positive impact. A clear benefit is offered by VIES on the web that allows taxpayers to check a VAT number, information that previously had to be provided by a tax official. This impact will be strengthened in option 2 and 3 where the contribution to the reduction of administrative burden is an explicit objective of the programme.

The programme provides a framework for tax administrations to perform better tax collection and reduces tax fraud and evasion, for instance by sharing information on loopholes or new fraud schemes. The possibility for taxpayers to interact with tax administrations by electronic means and across borders would not only lead to better service to taxpayers and lower compliance costs but also enhance the efficiency of tax administrations and increase revenues (e.g. automation of working and control methods in order to allow real-time instead of ex post controls, an increase of voluntary compliance through easy-to-use e-government tools in the taxation area)⁷³. This impact is expected to be reinforced under option 2 and 3, as these will put more emphasis on the fight against fraud. The activities supported by the programme do contribute to a reduction in the divergence in interpretations of tax law which contribute to a decrease in unfair competition and possibly unjustified double taxation faced by taxpayers, both businesses and consumers.

7.5.3. *Assessing environmental impacts, impacts on SMEs and social impact*

Given the nature of the options to address the identified problems, no direct **environmental impacts** are expected⁷⁴. Indirect environmental impacts concern for instance the electronic

⁷³ DELOITTE, Alternatives for taxation cooperation, p 21-22.

⁷⁴ The fact that actions supported by the programme may be one of the drivers for better is ???

exchange of information rather than a paper based information exchange although on the other hand IT systems require energy to function. The programme may further be a supporting factor for creating environmental impacts, e.g. a programme action may contribute, amongst other factors to an improved collection of energy taxes, which then contributes to improved environmental impact. This impact only happens in a second degree and the programme is never the only determining factor as the impacts are also generated by other triggers.

The impact on **SMEs** of the programme relates to the support of the programme in creating a situation that allows for the reduction of administrative burden on business and is as such also of an indirect nature and influenced by other triggers.

The **social impact** is also of an indirect nature as the programme creates the framework to support tax administrations to improve tax collection. It could be said that through improved tax collection will lead to a better income distribution. However, also in this respect the programme is only one of the triggers to generate this impact.

7.5.4. Assessing other impacts across the policy options

The policy options described in this Impact Assessment have an impact on the fundamental right of protection of data⁷⁵, notably the objectives related to the exchange of information between Member States or Member States and third countries. In this respect, it is important to note that the Commission provides the gateway to exchange the data between the Member States or Member States and third countries but that the Commission has no access to the data itself. The infrastructure set up by the Commission with the support of the Fiscalis programme to support the exchange of information does provide a sufficient security level to protect data from unauthorised access, compliant with data protection requirements⁷⁶. The specific secondary tax legislation organising the exchange for information contains the necessary provisions for data protection (option 2). In case this legislation does not yet exist (option 3), the future legal proposal will be made compliant with data protection provisions.

7.6. Preferred option

The impacts of the different options, selected in terms of effectiveness, efficiency and acceptability are summarized in Table 2 below. The impact assessment leads to the following recommendation:

The preferred option is policy option 2: Upgrade the baseline scenario

Option 2 is the preferred option despite the fact that it scores lower on effectiveness than option 3. The much higher acceptability by Member States is decisive. This option fits in the envelope foreseen in the next Multi-Annual Financial Framework⁷⁷.

⁷⁵ Art.8 of the EU Charter) and Article 16 of the TFEU.

⁷⁶ EU Charter and the secondary EU data protection legislation, namely Council Directive 95/46/EC and Council Regulation 45/2001.

⁷⁷ COM(2011) 500 of 29 June 2011, "A budget for Europe 2020".

Table 2: Summary comparison of options

Criteria	Effectiveness and relevance							Efficiency		Coherence		Other	Overall Assessment
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Future Policies	Output orientation	Efficiency gains	Coherence with other EU initiatives	Within Budget for Europe 2020	Acceptability by Member States	Rating of options
Option 1: Baseline Scenario	0	0	0	0	0	0	0	0	0	0	Yes	MEDIUM	0
Option 2: Upgrade the baseline option	++	0	++	0	+	++	0	++	+	++	Yes	HIGH	+++ = PREFERRED OPTION
Option 3: Upgrade and cater for new policy	+++	++	+++	++	++	+++	+	++	+++	++	No	LOW	++
Option 4: No programme	--	--	--	--	--	--	0	NA	LOW	LOW	NA	LOW	--

Annotation: Magnitude of impact indicated compared to the baseline scenario:

+++ strongly positive, ++ quite positive, + positive, 0 like baseline scenario, - negative, -- quite negative, --- strongly negative, NA not applicable

Source: DG TAXUD

8. HORIZONTAL ASPECTS

Sections 6 and 7 developed adequate options to address the identified problems and to ensure that the set objectives can be achieved in the most efficient and effective way. The document provides a clear link between individual problems, objectives and ways how to address these problems.

Further to this proof of the necessity of the programme and the discussion on its adequate "vertical" scope, the discussion is complemented by an assessment of "horizontal" aspects of the programme. These horizontal aspects cover a different dimension of the programme and refer to implementation aspects, governance issues, simplification, etc. While there are obvious links to the options as they were developed in section 6, they can be considered as applicable to each of the policy options. All of these horizontal aspects are policy options that are fully consistent with the Budget for Europe 2020⁷⁸ and focus on how the programme will be implemented in accordance with the objectives as set out in the Multiannual Financial Framework.

These options also cover a reflection on the options to spend less on certain aims, reprioritisation and concentration that were also considered as part of the options.

The aspects discussed in this section are based mainly on the findings of the related midterm evaluation and/or reflect the ongoing discussion and results of external studies.

8.1. Implementation Scenarios

8.1.1. Programme management by executive agency

The reflection related to the possible creation of an Executive Agency took place in the framework of the reflection on **simplification**. The Executive Agency would have related to options 2 and 3 in the sense that the programme would have been implemented by an external agency. This option has been discarded because it would not bring the expected business advantages. A study commissioned by DG TAXUD on the "Future business architecture for the customs union and cooperative model for taxation" conducted a specific analysis of the business case for an EU executive agency for programme management (see report on task 2.2 p 33-37) as part of a in-depth analysis on how resources could be better used at EU and national level. The reflection was made for the Customs programme but its conclusions mutadis mutandis also apply to the Fiscalis programme. The political environment/context is considerably more complicated in the fiscal area. A summary of the analysis can be found in Annex 6.

It is assessed that the potential benefits related to the set-up of an executive agency do not outweigh the costs. As such, the establishment of an executive agency has not been considered as a full option for the implementation of the 2020 programme. Grading the executive agency against the other options, it should be noted that –as a different management mode to the current one- the executive agency option could potentially support the realisation of all options selected (and not one in particular). To this end, realising the different options by means of an executive agency would be appreciated as a "status quo to a grading less

⁷⁸ COM(2011) 500/I final and COM(2011) 500/II final

positive" in terms of effectiveness and in efficiency. In terms of acceptability it would receive a LOW appreciation.

8.1.2. *Alternative allocations between the programme instruments*

Alternative allocations of the budget between the programme instruments: exchange of information, joint actions and training activities has been considered.

One of the alternative scenarios concerned a **substantial increase** of the share of the budget spent on Joint Actions. This option, for instance raising the Joint Actions share to 50% of the programme budget, was discarded though because the Member States administrations would not have been in a position to absorb the additional potential for capacity building. **Decreasing** the share of Joint Actions has also been considered, but was discarded because it would jeopardise the positive impact realised to strengthen cooperation and information sharing⁷⁹.

Spending less on IT activities has been considered by investigating if IT implementation could be transferred to the national administrations in Member States with the exception of the CCN/CSI network and related services. Considering the negative impact on results and performance at overall programme level, this scenario has been discarded. For a more detailed analysis, see the following chapters.

8.1.2.1. IT implementation by Commission

Within the given scope of the preferred option 2, we can foresee alternatives of how the programme would be implemented. The first scenario would be in general a continuation of the approach currently used in the programme. Here, the trans-European IT systems (TEIT systems) – the major budget expenditure of the programme – are implemented by the Commission through a number of procurement contracts.

8.1.2.2. Alternative: IT implementation by Member States

In an alternative scenario, all relevant IT activities (and the corresponding budgets) would be transferred to national administrations with the exception of the CCN/CSI network and its related services. More precisely, the maintenance and the further evolution of the CCN/CSI network – the backbone of IT exchanges between national tax administrations, and services related to it – would remain under the full responsibility of the Commission. This would guarantee the required level of security and interoperability. The governance in place today to manage the required IT activities would continue to operate.

However, the design, development and operation of the required business TEIT applications and systems would be under the full responsibility of the national administrations. These activities would be funded by the programme and be subject to a new governance structure which would arbitrate and prioritise the various business requests.

⁷⁹ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424.

8.1.2.3. Comparative assessment of alternatives for IT implementation

(i) Effectiveness

The national administrations are well placed to reply to business requirements concerning external stakeholders of the relevant business processes. In that sense they can provide under the second scenario (IT implementation by Member States) an acceptable service on an individual level. However, where it comes to equivalence when all national administrations are to provide the same level of service there is no guarantee that this will happen under the second scenario unless a new central governance structure will be put in place which does not exist today. Furthermore, as the Commission will in this case not develop nor operate business IT components to be used by national administrations, this will create divergent development and deployment plans for what are now considered common IT assets. Consequently, some advantages notwithstanding, the second scenario as alternative to the current situation would lead to divergent IT developments, and thus deserves a very low score in achieving operational objectives 3, 5 and 7.

(ii) Efficiency

IT activities are currently (and under scenario 1) executed using IT contracts managed by the Commission. Under the second scenario, these activities would have to be managed by each individual national administration. This would require the set-up of specific IT contracts in each and every national administration with the relevant IT providers. Furthermore, it would require the assignment of more human resources in each and every national administration. The overall implementation duration would increase as all business IT activities would have to be planned according to the slowest party in the overall EU implementation chain. The overall IT cost would increase, the consistency of data and application of rules on the other side would decrease and the potential of IT scale at EU level could not be exploited. Under the second scenario, it would be impossible to achieve an improved level of standardisation compared to the current situation or to profit from the potential benefits for synergies. Possible wrong IT implementations at EU level would damage severely the public administration image and could even create financial damages.

(iii) Simplification

At first glance, the second IT implementation option seems to be a simplification compared to the current situation (scenario 1), as the Commission would only be responsible for the CCN/CSI network and would only have to provide funding to the national administrations for the design, development and operation of the business IT activities. But, the risk is very high that gradually there would be needs and initiatives to set-up more central governance structures in order to resolve all above-mentioned weaknesses.

8.1.2.4. Conclusion

Considering the negative impact on results and performance at overall programme level, the second scenario of introducing an alternative IT implementation is to be discarded.

8.2. Alignment between the Customs and Fiscalis Programmes

For reasons of **simplification**, the management of the Customs and Fiscalis programme will be fully aligned based upon identical procurement rules and grant models, common management guides and IT based systems. The management model includes clear and **simple**

procedures for organising programme activities. The **programme management team** of the Commission **is assisted** by programme management teams in the different tax administrations acting as facilitator and first point of contact for taxation officials in Member States. The management model allows the deployment of activities in a **short time span**, some weeks at the most, reacting quickly to **newly emerging needs**, while at the same time guarding coherence between the different activities. The Member States have expressed their satisfaction with the management model of the programme in the midterm evaluation⁸⁰.

The results of the evaluation questionnaire show a high appreciation for the guides and IT tools supporting the management of the Programme. Activities involving customs as well as tax officials have been set up under the Customs and Fiscalis Programme in a very efficient and cooperative way.

The Programmes have been used as a reference for other EU Programmes given the efficient management model i.e. centralised management mode implemented through annual grant agreements for multiple beneficiaries covering all the joint actions together.

The Midterm evaluation of the DG HOME programmes on Prevention of and Fight against Crime (ISEC) and Prevention, Preparedness and Consequence Management of Terrorism & other Security Related Risks (CIPS)⁸¹ considers the Customs and Fiscalis programme management model "offers the most promising prospects for improving the management of ISEC/CIPS as it allows to promptly and flexibly respond to operational needs".⁸²

The backbone for trans-European IT systems is the **CCN/CSI network**, is also being used by OLAF for the exchange (and storage) of information on irregularities and fraud. For this purpose both DGs benefit from economies of scale.

8.3. Use of innovative financial instruments

Considering that the direct beneficiaries of the Programme are the public authorities and given the specific nature of the Programme activities, the potential use of innovative financial instruments such as public-private partnerships has been reflected upon but not considered appropriate in the case of the Fiscalis 2020 Programme.

9. EVALUATION AND MONITORING

Monitoring of the programme's activities will be carried out in order to ensure that the rules and procedures for the implementation of the programme have been applied properly (audit function) and to verify if the programme is successful in achieving its objectives. A monitoring framework will be put in place, including: an intervention logic, a comprehensive set of indicators, measurement methods, a data collection plan, a clear and structured reporting and monitoring process and midterm and final evaluations.

The **intervention logic** has been established in the context of this impact assessment, outlining drivers, problems and objectives at three levels (general, specific, operational).

⁸⁰ RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 268-305.

⁸¹ COM(2005) 124 of 6 April 2005 has a budget of 745 million euro in the 2007-2013 financial framework.

⁸² Evaluation of "Prevention and Fight against Crime" and "Prevention, preparedness and consequence management of terrorism and other security related risks" COM(1991) 341.

Indicators to measure the effects and the impact of the programme – where possible in a quantitative way – have been developed for each type of objectives. Indicators take into account that a combination of tools is often implemented to pursue one objective. This implies that the effects and impacts generated cannot be traced back to an individual tool of the programme. Impacts may also be clustered according to the three main groups of tools, i.e. joint actions, training and IT tools. For the measurement of impacts and results, measuring the evolution of the view of stakeholders will be an important instrument. The development of indicators is an ongoing process though. DG TAXUD will continue to fine-tune the indicators throughout the programme closely collaborating with policy experts in the Member States and in the Commission using the programme (seen Annex 7).

The **monitoring** of the programme will be performed from the very beginning. The output indicators will be monitored on a yearly or permanent basis while the result and impact indicators will be measured at three different time intervals: a first time before the start of the programme, a second time in the middle and a third time at the end of the programme. These monitoring exercises will be integrated in the evaluation procedures from the present (first) or the future (second and third) programmes for efficiency reasons. The first monitoring exercise will be the baseline against which the future results will be compared. Targets for the programme objectives will be established after the baseline monitoring has been completed.

The data collection for the result indicators will use where possible electronic tools, like the system which contains all data related to Joint Actions: the Activity Reporting System (ART2) or the collaboration platform the Programme Information and Collaboration Space (PICS). For the IT systems and eLearning modules, the data will be collected through mechanisms built-in in the electronic databases or network. At the level of the impact and results indicators, for instance standardised action follow up forms will be used to collect feedback for each activity. Any measurement of perception will be integrated in the evaluation exercises of the programme as mentioned earlier and will be repeated at different moments in order to develop the evolution of perception over time. The questions will be then repeated to facilitate the comparison. The evaluation and monitoring exercise will be steered by the Commission. However, Member States, as main beneficiaries of the programme will do an important part of the data collection either by providing information at the level of the individual tools (mainly through ART) or on the wider impact of the programme (either by participating in perception measuring exercises or through the issuing of reports). These monitoring mechanisms will be integrated in the procurement contracts and grant agreements. The information and data will be collected from beneficiaries using statistics from the existing IT systems, through questionnaires issued to direct and indirect stakeholders. These questionnaires (or the link to them) are spread with the support of the Member States.

The programme will be **evaluated** twice. The baseline is set by measures at the end of the current programme against which the later impacts will be compared. The targets for the results and impact indicators will be set after this baseline has been established. For efficiency reasons this measurement will be integrated in the final evaluation of the present programme. The results of the midterm evaluation of the Fiscalis 2020 programme will be available by mid-2018. This is sufficient in time to allow the Commission to introduce adjustments if required and will be based on a sufficient set of activities and data. The final evaluation of the programme will be completed towards the end of 2021.

As mentioned earlier, the Commission will incorporate address future evaluations not only to primary stakeholders of Fiscalis, namely tax authorities and their experts but also to those

stakeholders that are external to the programme (i.e. economic operators) on measure the impacts the programme has on them and to what extent they benefit for instance from better cooperation between tax administrations.

The above arrangements tackle the current shortcomings of the evaluation and monitoring system as identified in the midterm evaluation of the 2013 programme⁸³.

⁸³ RAMBOLL, Midterm evaluation, recommendation 3.

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Annex 1 Objectives Fiscalis 2013 Programme

The objectives of the current Fiscalis 2013 Programme are

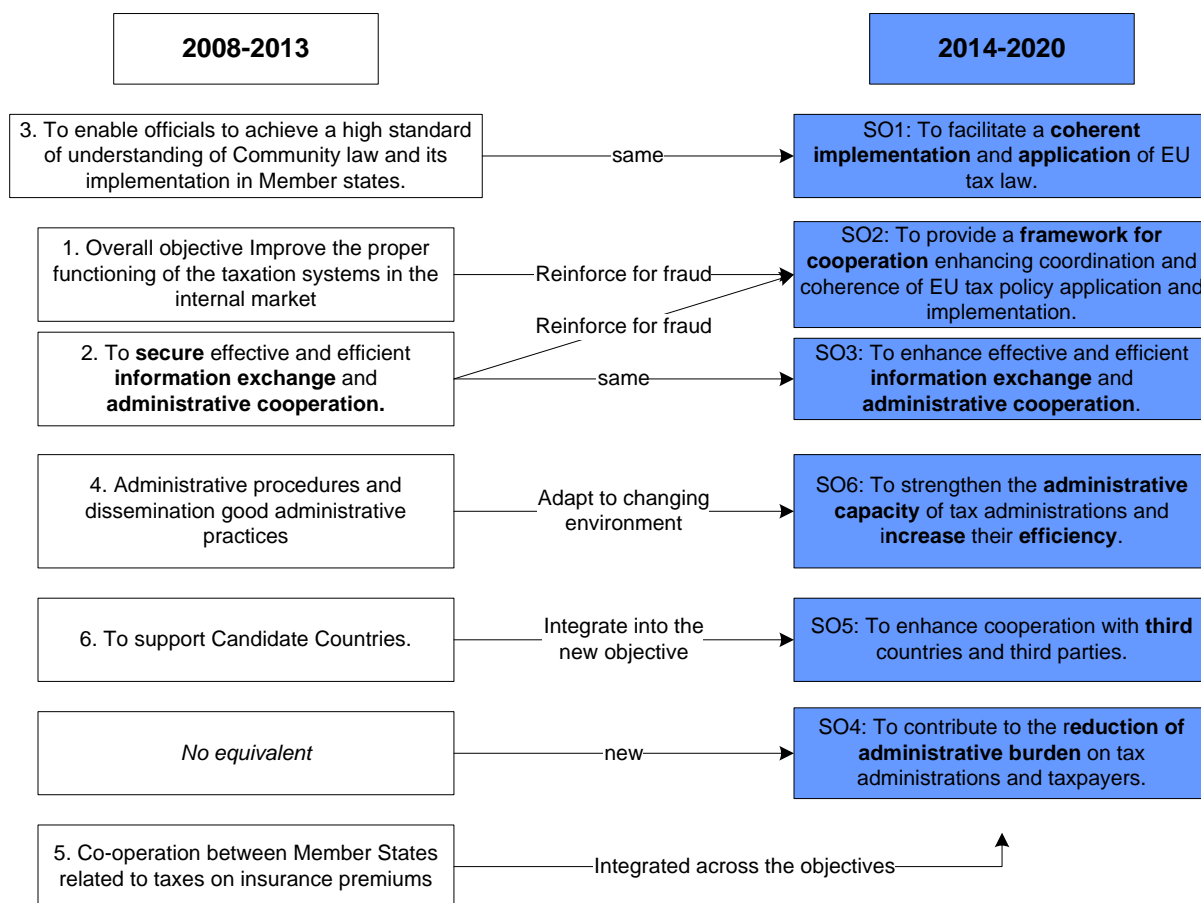
- a) in respect of value added tax and excise duties:
 - i. to secure efficient, effective and extensive information exchange and administrative cooperation;
 - ii. to enable officials to achieve a high standard of understanding of Community law and its implementation in Member States; and
 - iii. to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxable persons through the development and dissemination of good administrative practice;
- b) in respect of taxes on income and on capital:
 - i. to secure efficient and effective information exchange and administrative cooperation, including the sharing of good administrative practices; and
 - ii. to enable officials to achieve a high standard of understanding of Community law and of its implementation in Member States;
- c) in respect of taxes on insurance premiums, to improve cooperation between administrations, ensuring better application of the existing rules; and
- d) in respect of candidate and potential candidate countries, to meet the special needs of those countries so that they take the necessary measures for accession in the field of tax legislation and administrative capacity.

In the Annual Work Programme (AWP) of the Fiscalis 2013 programme, these objectives have been restructured as follows as from the AWP 2009:

Header Annual Work Programme	Reference Fiscalis 2013 Decision
1. Improve the proper functioning of the taxation systems in the internal market, including the fight against fraud	<i>Overall objective of Article 4 §1 of the F2013 Decision</i>
2. Information exchange and administrative co-operation among Member States	<i>Objectives 2 (a) i and 2 (b) I (part 1 of sentence) of Article 4 of the F2013 Decision</i>
3. Understanding of Community law and of its implementation in Member States	<i>Objectives 2 (a) ii and 2 (b) ii of Article 4 of the F2013 Decision</i>
4. The sharing, development and dissemination of good administrative practice ⁸⁴	<i>Objectives 2 (a) iii and (b) I (part 2 of sentence) of Article 4 of the F2013 Decision</i>
5. Co-operation between Member States related to taxes on insurance premiums	<i>Objective 2 (c) of Article 4 of the F2013 Decision</i>
6. Meet the special needs of Candidate Countries	<i>Objective 2 (d) of Article 4 of the F2013 Decision</i>

⁸⁴ For direct taxation only in relation to administrative cooperation

Annex 2 Overview objectives Fiscalis 2013 and 2020 Programmes



Annex 3 Division of competences between the EU and its Member States in the different categories of taxes

1. Division of competences between the EU Institutions and the Member States regarding Indirect Taxation

The basic provision in this respect is Article 113 of the Treaty on the Functioning of the EU ("TFEU"), which reads as follows:

"The Council shall, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament and the Economic and Social Committee, adopt provisions for the harmonisation of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition".

- a. On the basis of this provision the EU has set common rules for the operation of VAT (through Directive 2006/112/EC) and a lower limit on the VAT rates that can be charged (15%). This nevertheless leaves Member States considerable leeway for national differences in VAT rates, which is due to (i) the lack of maximum rates, (ii) the optional application of one or two reduced rates, (iii) the choice of categories of goods or services eligible for reduced rates remaining with the Member States (they may choose from an exhaustive list that includes food and medicine), and (iv) temporary derogations granted to certain EU countries under particular conditions.
- b. Further, it is for Member States to take all legislative and administrative measures appropriate for ensuring collection of all the VAT due on its territory. In that regard, Member States are required to check taxable persons' returns, accounts and other relevant documents, and to calculate and collect the tax due. Member States enjoy in that respect a certain measure of latitude, which is nevertheless limited by the obligation to ensure effective collection of the EU's own resources and not to create significant differences in the manner in which taxable persons are treated, either within a Member State or throughout the Member States.
- c. Also on the basis of Article 113 of the TFEU certain common rules have been set up at EU level concerning excise duties on energy products, alcohol and cigarettes. However, rules are flexible enough to leave plenty of room to cultural and economic differences between Member States.
- d. Another important provision concerning taxation is Article 110 TFEU, which provides as follows:

"No Member State shall impose, directly or indirectly, on the products of other Member States any internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products. Furthermore, no Member State shall impose on the products of other Member States any internal taxation of such a nature as to afford indirect protection to other products."

- e. This provision is particularly important in the field of vehicle taxation. There is no harmonization on this matter, which entails that Member States are entitled to levy these taxes on means of transport on the occasion of their first entry into use within their territory and to set the tax rates at the level they see fit. However, Article 110 TFEU, as consistently interpreted by the EU Court, lays down a clear limit there since Member States may not charge higher taxes on vehicles imported from other Member States than those levied on similar and competing domestic products.

2. Division of competences between the EU Institutions and the Member States regarding Direct Taxation

Article 115 TFEU provides for the Council, acting unanimously, to issue Directives for the approximation of such laws, regulations or administrative provisions of the Member States which directly affect the establishment or functioning of the Internal Market. Under this provision, some recommendations and legislation have been adopted in the area of personal tax, company tax and capital duty. At present under EU law, Member States have broad freedom to design their direct tax systems (income tax, company tax, inheritance tax etc.) in the most appropriate way to meet their domestic policy objectives. They are also free to come to agreements with other Member States on how to share taxing rights over the same income.

a. Citizens

A Member State may not, in principle, treat cross-border situations less favourably than purely national situations, in particular by disadvantaging non-nationals or foreign income. The use of the Commission's problem-solving services and application of EU Treaty rules can resolve many problems of discrimination in the tax area that may face EU citizens when they engage in cross-border activity. However problems such as double taxation, incompatibilities between different tax systems and lack of access to information on the tax rules of Member States that arise from the parallel exercise of sovereignty by two Member States is not contrary to the Treaty on the Functioning of the EU and the Treaty rules cannot, therefore, resolve these problems. At the same time, the Commission believes that it is not appropriate in a single market that such problems should deter individuals from engaging in cross-border activity or penalise them when they do. Harmonisation of all aspects of Member States' tax rules would be neither necessary nor feasible. Solutions are needed that recognise the legitimate interests of citizens in an area of free movement, such as the one established by the Treaties. The Commission considers it important that EU action should be taken to make the tax systems of the different Member States more compatible. That is why it announced in its Communication of December 2010 on removing cross-border tax obstacles for citizens that it wanted to establish a dialogue with Member States' tax administrations and stakeholders on other appropriate solutions to EU citizens' cross-border tax obstacles. The FISCALIS programme would facilitate this work of removing tax obstacles by providing a forum for Member States to exchange best practices and by supporting the development of appropriate IT tools.

b. Companies

National corporate tax systems operate within a context of globalisation, international tax competition and companies which increasingly look beyond borders for market opportunities. However, the co-existence of 27 highly disparate sets of tax rules in the single market means that companies are faced with significant tax obstacles which may discourage and impede their cross-border activities. This divergence in national tax rules reduces the transparency of tax systems and creates obstacles in the internal market which give rise to significant distortions and compliance costs for businesses. With the aim of reducing the tax-related obstacles that businesses face in these situations, on 16 March 2011 the Commission has tabled a proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB), COM(2011) 121, which provides for a system of common rules for computing the tax base of companies which are tax resident in the EU and of EU-located branches of third-country companies. Specifically, the common fiscal framework provides for rules to compute each company's (or branch's) individual tax results, the consolidation of those results, when there are other group members, and the apportionment of the consolidated tax base to each eligible Member State. FISCALIS would allow the creation of a working group or groups of tax experts of Member States to discuss the implementing measures of the administrative framework of the new proposed system.

Annex 4 Areas where the Fiscalis programme might be used under policy option 3

Indirect taxes:

On 1st December 2010, the Commission adopted a Green Paper on the future of VAT – towards a simpler, more robust and efficient VAT system⁸⁵ launching a broad consultation process with all stakeholders on the evaluation of the current VAT system and the possible ways forward to, in particular, strengthen its coherence with the single market and its capacity as a revenue raiser whilst reducing the costs of compliance and collection.

Depending on the outcome of the consultation process, the future VAT strategy may encompass the following possible new legislations and actions:

- The setting up of a database and a comprehensive web portal for providing business with information in several languages on EU and national VAT rules and obligations such as registration, invoicing, periodicity and content of VAT returns, VAT rates applicable, special obligations, limitations to the right of deduction etc.;
- Extending the scope of the current "mini one-stop-shop" to include, in the first place, similar other cross border Business-to-consumer (B2C) supplies and then, if such transactions were taxed under a new VAT regime based on the destination principle, Business-to-Business (B2B) transactions and the deduction side;
- Excise operators and administrations are also interested in the development of a OSS/Single window, but for the time being they will follow the work carried out in the field of VAT and customs;
- Extending the territorial scope of VAT grouping, a common database of the "single legal entities" having made use of the option, of their members and possibly the transactions covered by the scheme could be needed;
- The future VAT strategy may also trigger a substantial increase in the exchange/sharing of information insofar as it considers comprehensive invoice databases and a new payment process for VAT as core options. For example, new methods of collection such as the "split payment" on cross-border B2B transactions if they were taxed could require further IT development;
- Extending the scope of the small business scheme to all transactions carried out in the single market, a special identification process of those businesses might be needed with a common register.
- As the analysis of the contributions received, the discussions with Member States and the economic evaluation of the current VAT system are still ongoing; the previous items are just examples of possible actions and legislations for the next decade which could require the involvement of the Fiscalis Programme.
- The Commission intends to propose a legislative initiative for introducing an EU-wide Financial Transaction Tax, the receipts of which would – based on a separate proposal – partly constitute EU Own Resources. Given, on the one hand, the

⁸⁵ COM(2010) 695 of 1 December 2010, Green Paper on the future of VAT.

subsidiarity principle and the related prerogative for Member States on the actual operation and administration of such tax and, on the other hand, the complexity of the object of the tax (financial markets) one cannot exclude a future role of Fiscalis also in this field.

Moreover, the current programme can only finance the EU component of the trans-European IT systems, Member States being responsible to develop their own (e.g. the web portals of any OSS scheme). This is less efficient as interconnection is more difficult and more costly due to the existence of 27+1 IT contracts. It could be envisaged that the next Fiscalis Programme could also cover some items of the national components of a trans-European IT system when it is needed for practical (interconnectivity) and financial reasons (economies of scale). One could also envisage that the Fiscalis programme could cover the development of common IT tools such as e-audit tools, when there is a potential use at EU level.

Direct taxes:

- The proposed Directive on the Common Consolidated Corporate Tax Base (CCCTB) provides for a central database which all tax authorities can access. This is important for the functioning of the CCCTB. The manner in which this can be implemented will require careful analysis.

Annex 5 Budget Fiscalis 2014-2020⁸⁶

Option 1: Baseline Scenario - Status Quo								
Activity	2014	2015	2016	2017	2018	2019	2020	2014-20
IT Capacity Building	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	147 000 000 €
Joint Actions	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	52 500 000 €
Human Competency Building (Training)	1 300 000 €	1 300 000 €	1 300 000 €	1 400 000 €	1 400 000 €	1 400 000 €	1 400 000 €	9 500 000 €
Total	29 800 000 €	29 800 000 €	29 800 000 €	29 900 000 €	29 900 000 €	29 900 000 €	29 900 000 €	209 000 000 €
Option 2: Upgrade the baseline scenario								
Activity	2014	2015	2016	2017	2018	2019	2020	2014-20
IT Capacity Building	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	163 100 000 €
Joint Actions	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	59 500 000 €
Human Competency Building (Training)	1 300 000 €	1 300 000 €	1 300 000 €	1 400 000 €	1 400 000 €	1 400 000 €	1 500 000 €	9 600 000 €
Total	33 100 000 €	33 100 000 €	33 100 000 €	33 200 000 €	33 200 000 €	33 200 000 €	33 300 000 €	232 200 000 €
Option 3: Upgrade and cater for new policy								
Activity	2014	2015	2016	2017	2018	2019	2020	2014-20
IT Capacity Building	30 000 000 €	33 400 000 €	36 700 000 €	36 700 000 €	36 700 000 €	36 700 000 €	36 700 000 €	246 900 000 €
Joint Actions	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	63 000 000 €
Human Competency Building (Training)	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	15 750 000 €
Total	41 250 000 €	44 650 000 €	47 950 000 €	47 950 000 €	47 950 000 €	47 950 000 €	47 950 000 €	325 650 000 €

Source: DG TAXUD

⁸⁶ Amounts expressed in real prices.

Annex 6 Analysis of the potential for an executive agency

If an executive agency were established, it would be entrusted with certain tasks related to the management of the Fiscalis Programme. It would be empowered to execute tasks such as the selection of the activities under the programme, the administrative preparation and follow-up of the activities, monitoring of the activities, grants and procurement of IT systems (development, maintenance and hosting of the systems). The responsibilities for managing the Fiscalis Programme would be transferred from the Commission to the agency. The Member States responsibilities as they stand today would remain unchanged.

A recent study⁸⁷ refers to the following constraints of this mechanism for the Customs 2020 programme and applies mutadis mutandis also for the Fiscalis programme:

In the study, the outsourcing of some of the management tasks of the Customs Programme to a dedicated executive agency was considered as a way of potentially:

- a) improving the efficiency of the programme management process (by allowing the agency staff to fully concentrate on this task and allowing the Commission to increase its focus on strategic and policy preparation tasks), and
- b) increasing the visibility of the customs union (by promoting a more unified image of the customs union towards the outside world).

The above-mentioned study identified the following disadvantages and risks though. This approach would:

- a) complicate the governance structure of the customs union by adding a new actor: the agency would represent a new actor in the governance of the customs union – the additional layer entails the risk of increasing the cost of coordination and checks, of complicating and lengthening decision making, of adding new administrative procedures, etc and will as such risk to increase red tape or bureaucracy;
- b) increase the potential for conflicts in acceptance of decisions: there might be a potential conflict between the customs policy group (steering customs policy and the priorities for the Annual Work Programme implementing the Customs Programme) and the agency in terms of leadership on certain topics;
- c) have a negative impact on the level of know-how within the Commission and increase the risk of a defragmentation of content versus administrative aspects of the Programme: part of the executive agency's staff will consist of officials seconded as temporary staff members to positions of responsibility in the executive agency – there is a risk that valuable expertise and know-how will be "lost" in the Commission service;
- d) given the size (in terms of budget to manage) of the Customs Programme as well as its scope (in terms of identified beneficiaries, being mainly customs authorities), the executive agency would only entail a limited number of staff which does not represent

⁸⁷ Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe – Business case of selected options" p 33-37.

sufficient critical mass to justify the creation of an agency and the related costs – which would lead to an overall amount of 720.000 Euro according to the external study.

Annex 7 Indicators of the Fiscalis 2020 programme

N°	General Objective	Impact Indicators
1	To improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation between Participating Countries , their tax administrations, their officials and other relevant stakeholders.	<p>1. Evolution of the view⁸⁸ of programme stakeholders regarding the contribution of the programme towards better functioning of the tax systems in Europe (scale 1-10)</p> <p>OUTPUT: Stakeholders to have a positive view on the contribution of the programme towards the general objective.</p> <p>TARGET: The output should stabilise or evolve positively compared to the baseline that will be drawn at the start of the programme.</p> <p><i>* The above output and target apply to all indicators measuring the view of stakeholders.</i></p>

N°	Specific Objective	Result Indicators
1	To facilitate a coherent application and implementation of EU tax law	<p>1. Evolution of the view of programme stakeholders regarding the level of coherent application and implementation of EU law</p> <p>2. Evolution of the view of programme stakeholders regarding the contribution of the programme to the coherent applications and implementation of EU law.</p> <p>3. Evolution of the view of stakeholders using dedicated eLearning modules.</p>
2	To provide a framework for cooperation enhancing coordination and coherence of tax policy application and implementation	<p>1. Evolution of the view of programme stakeholders regarding the contribution of the programme to an integrated coordination and coherence of tax policy application and implementation.</p> <p>2. The amount of tax assessed through the Multilateral Controls</p> <p>OUTPUT: The amount of tax assessed during the Multilateral Controls</p> <p>TARGET: The amount of tax assessed should remain in line with the evolution</p>

⁸⁸ Any measurement of the feedback will be integrated in the evaluation of the present and future programme. The final evaluation of the present programme will as such establish the baseline.

N°	Specific Objective	Result Indicators
		<p>outlined in the previous years.</p> <p>3. The evolution of results obtained through the Multilateral Controls⁸⁹</p> <p>OUTPUT: For each Multilateral Control a set of 7 result indicators is measured among others whether or not cases missing traders have been detected and recommendations were made to the Commission or Member States' tax administrations.</p> <p>TARGET: The kind of results obtained should remain in line with the results obtained in the preceding years.</p> <p>4. The distribution of the initiation of Multilateral Controls over the Participating Countries</p> <p>OUTPUT: The distribution of the initiation of Multilateral Controls over the Participating Countries.</p> <p>TARGET: The initiation of the Multilateral Controls should become more evenly spread among the Participating Countries by the end of the 2020 programme</p> <p>5. Indicators for Eurofisc</p>
3	To secure effective and efficient information exchange and administrative cooperation	<p>1. The availability of the common network⁹⁰</p> <p>OUTPUT: The availability of the network</p> <p>TARGET: The availability should be at least 97%.</p> <p>2. Evolution of the view of stakeholders regarding the contribution of the programme to the secure, effective and efficient information exchange and administrative cooperation.</p>
4	To contribute to the reduction of the administrative burden on tax administrations and taxpayers	<p>1. Evolution of the view of programme stakeholders regarding the contribution of the programme to the reduction of the administrative burden on tax administrations and business.</p>

⁸⁹ For each MLC, the MLC initiator reports the amount of tax assessed as well as the results obtained namely whether or not cases were sent to the prosecutor, false invoices were detected, transfer pricing corrections occurred, black labour, unreported sales or missing traders were detected, any recommendations were sent to the national authorities or to the Commission.

⁹⁰ The percent of the time the network is up and running.

N°	Specific Objective	Result Indicators
5	To enhance cooperation with third countries and third parties	1. Evolution of the view of programme stakeholders regarding the contribution of the programme to the cooperation with third countries and third parties.
6	To continuously strengthen the administrative capacity of tax administrations and increase their efficiency	<p>1. Evolution of the view of programme stakeholders regarding the strengthening of the administrative capacity of tax administrations and their efficiency.</p> <p>2. The number of procedures and practices changed in stakeholder's administrations where expertise was acquired from at least one other Member State with the support of the programme.</p> <p>OUTPUT: The number of procedures and practices changed</p> <p>TARGET: At least one procedure should be changed per Member State.</p> <p>3. Evolution of the view of stakeholders using dedicated eLearning modules.</p>

N°	Specific Objective	Context Indicators
1	To facilitate a coherent application and implementation of EU tax law	1. Number of infringement procedures related to direct and indirect tax (Internal Market Scoreboard)
2	To provide a framework for cooperation enhancing coordination and coherence of tax policy application and implementation	<p>1. The number of new legal initiatives that trigger activity under the programme (only relevant for option 2)</p> <p>2. The evolution of the perception of language as a constraint to cooperation by stakeholders</p>
4	To contribute to the reduction of the administrative burden on tax administrations and taxpayers	1. The evolution of the number of verifications of VAT numbers through VIES on the web

N°	Operational Objective	Output Indicators
1	To set up actions enhancing common understanding and implementation of EU tax law	<p>1. The number of Fiscalis activities organised that support this objective.</p> <p>OUTPUT: The number of activities organised</p> <p>TARGET: The number of activities</p>

N°	Operational Objective	Output Indicators
		<p>organised should remain in the same order of magnitude unless there are major policy evolution. <i>*The output and target apply to all similar indicators.</i></p> <p>2. The number of consultations of the taxes in Europe database</p> <p>OUTPUT: The number of consultations</p> <p>TARGET: The number of consultations should remain stable throughout the programme</p> <p>3. The number of times the dedicated eLearning modules have been used to train stakeholders</p>
2	To support and facilitate joint operational tax activities	<p>1. The number of Fiscalis activities organised that support this objective.</p> <p>2. The number of Multilateral Controls supported by the Fiscalis programme.</p> <p>OUTPUT: The number of Multilateral Controls</p> <p>TARGET: The number of Multilateral Controls should remain stable throughout the programme</p> <p>3. The number of online collaboration activities organised under this objective (<i>* The online environment is currently set up, outputs and targets will be defined when the environment is up and running</i>)</p> <p>4. The number of times the dedicated eLearning modules have been used to train stakeholders</p> <p>5. Indicators for Eurofisc</p>
3	To develop and maintain European information systems for taxation	<p>1. The number and volume of messages exchanged through the common network (and its evolution)⁹¹</p> <p>2. The number of Fiscalis activities organised that support this objective.</p> <p>3. The number of training activities organised</p>

⁹¹ This concerns messages related to exchange of VAT registration and turnover information (via VIES and Mini 1SS), verification of VAT numbers (VIES on the web), VAT refund applications (VAT Refund), forms exchanges with requests for information (CCN Mail), and movements of excise goods under duty suspension (EMCS).

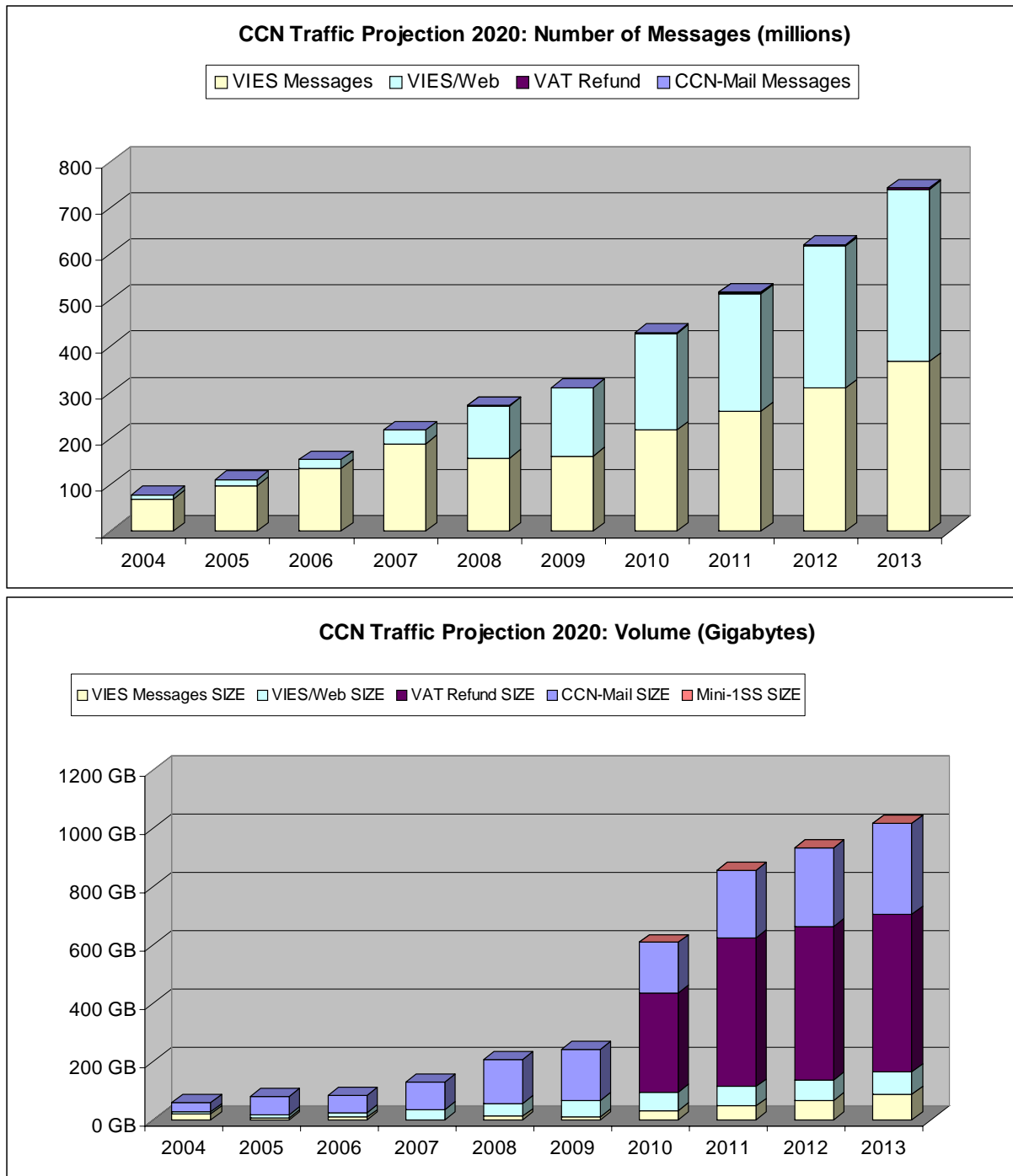
N°	Operational Objective	Output Indicators
		<p>under this objective.</p> <p>4. The number of times the dedicated eLearning modules have been used to train stakeholders.</p> <p>5. The number of online collaboration activities organised under this objective</p>
4	To reinforce skills and competencies in EU tax matters for tax officials and other relevant stakeholders	<p>1. The number of Fiscalis activities organised that support this objective.</p> <p>2. The number of online collaboration activities organised under this objective.</p> <p>3. The number of eLearning modules developed under the programme.</p> <p>4. The use made of the guides and manuals produced by Project groups and platforms</p> <p>OUTPUT: The use made of guides and manuals by stakeholders</p> <p>TARGET: The use made of guides and manuals should increase by the end of the programme</p>
5	To support the development of an e-administration for tax authorities and taxpayers	<p>1. The number of Fiscalis activities organised that support this objective.</p> <p>2. The number of online collaboration activities organised under this objective.</p>
6	To set up actions relating to EU tax matters involving third countries and third parties	<p>1. The number of Fiscalis activities organised that support this objective.</p> <p>2. The number of online collaboration activities organised under this objective.</p>
7	To enhance the identification and sharing of best practices	<p>1. The number of Fiscalis activities organised that support this objective.</p> <p>2. The number of online collaboration initiatives organised under this objective.</p>

Annex 8 Instruments of the Fiscalis 2020 programme

Operational Objectives	Programme instruments that will primarily contribute to realise this objective
To set up actions enhancing common understanding and implementation of EU laws	IT activities (database tax ...), training activities (VAT module), Joint Actions (workshop, seminar, project group, working visit, guides and manuals)
To support and facilitate joint operational tax activities	Multilateral Controls, sharing operational expertise (steering group and expert team), training activities, Eurofisc
To develop and maintain European Information systems for taxation	IT activities, training related to IT , development of specifications (project group, expert team),
To reinforce skills and competencies in EU tax matters for tax officials and other relevant stakeholders	eLearning modules, project group
To support the development of an e-administration for tax authorities and taxpayers	Project group, seminar, workshop, expert team, steering group (like eAudit), working visits
To set up actions relating to EU tax matters involving third countries and third parties	IT activities related to 3 rd countries, expert team, workshop, technical assistance and working visits
To support the identification and sharing of best practices	Expert team, project group, workshop

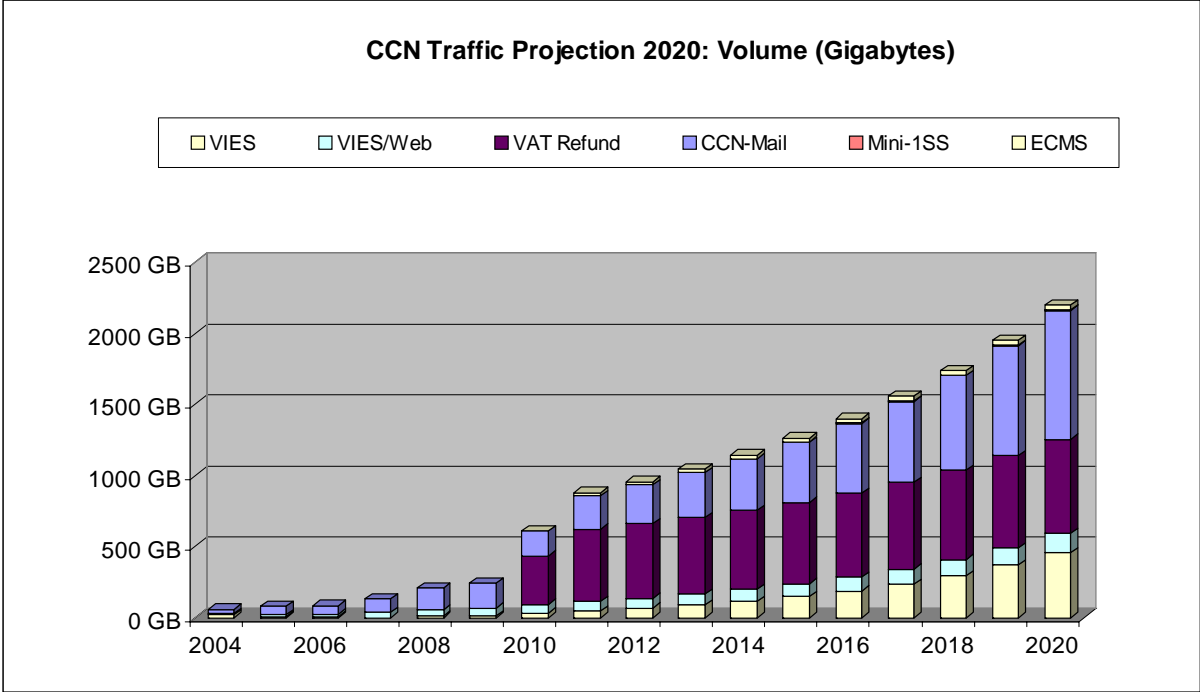
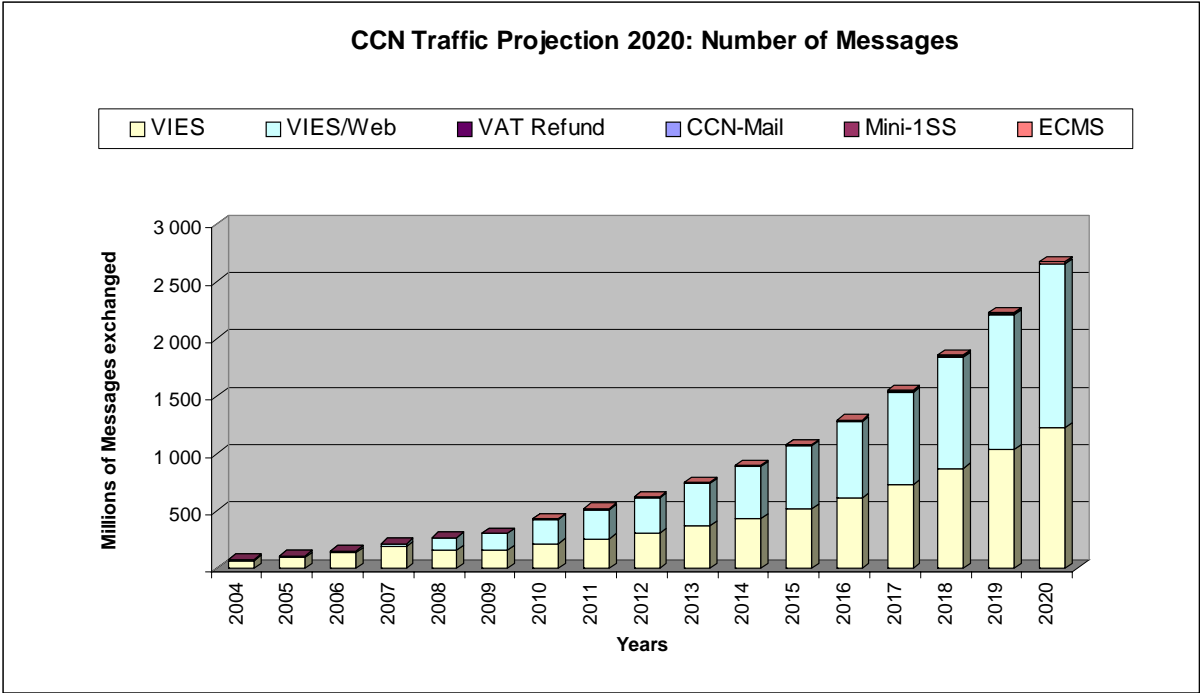
Annex 9 Statistics of the Fiscalis programme

Figure 2: Number and volume of messages exchanged between tax administrations between 2004-2010 and estimations for 2011-2013



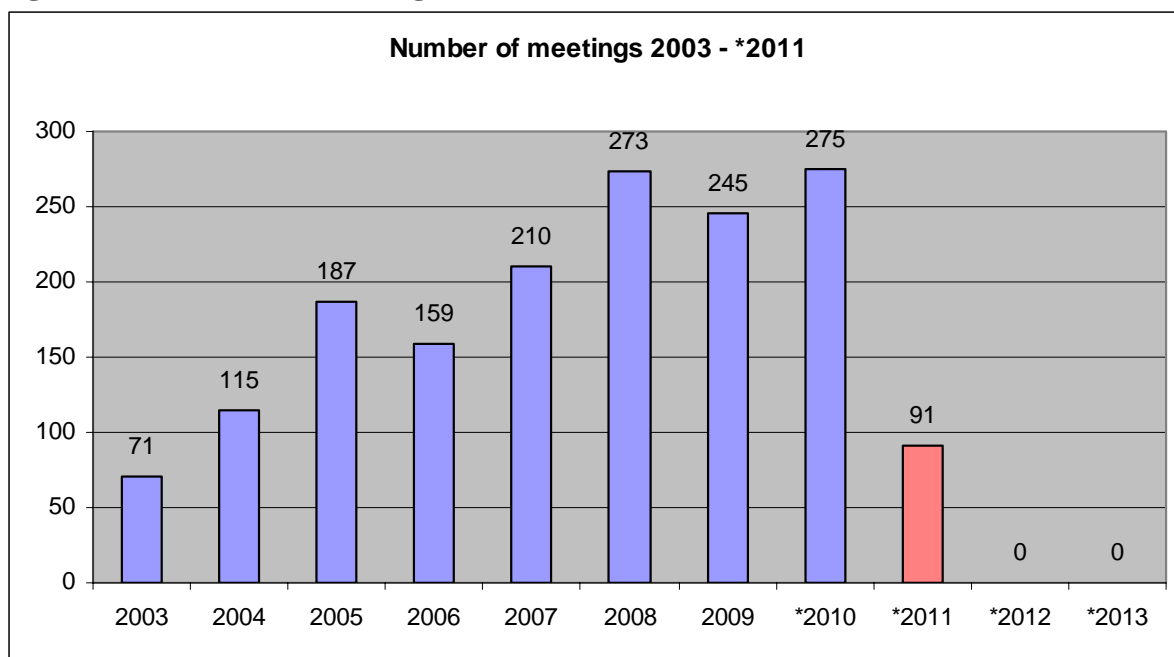
Source: DG TAXUD

Figure 3: Forecast of the number and volume of messages exchanged between tax administrations (2004-2020)



Source: DG TAXUD

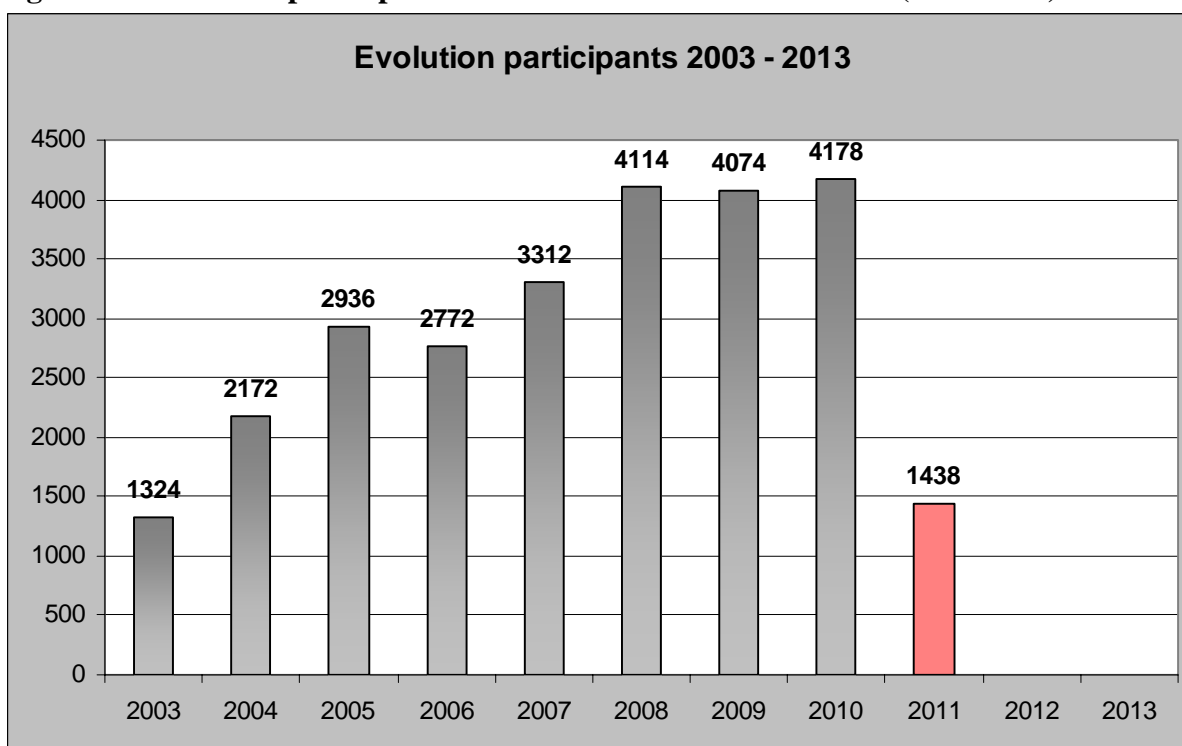
Figure 4: Number of events organised for tax officials



Annotation: 2011 covered only partially, no estimates for future years

Source: DG TAXUD

Figure 5: Number of participants in Joint Actions for tax officials (2003-2011)



Annotation: 2011 covered only partially, no estimates for future years

Source: DG TAXUD